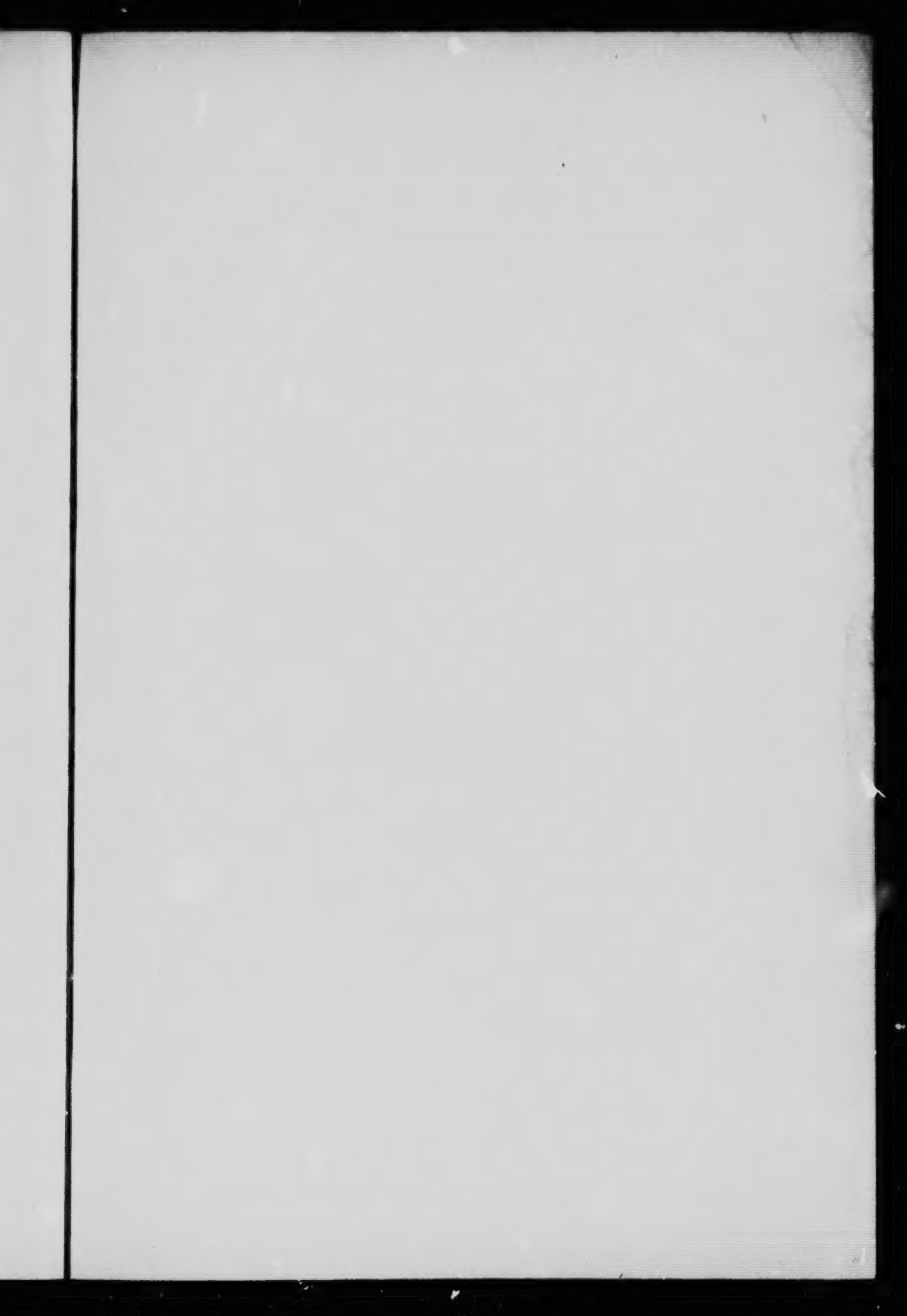
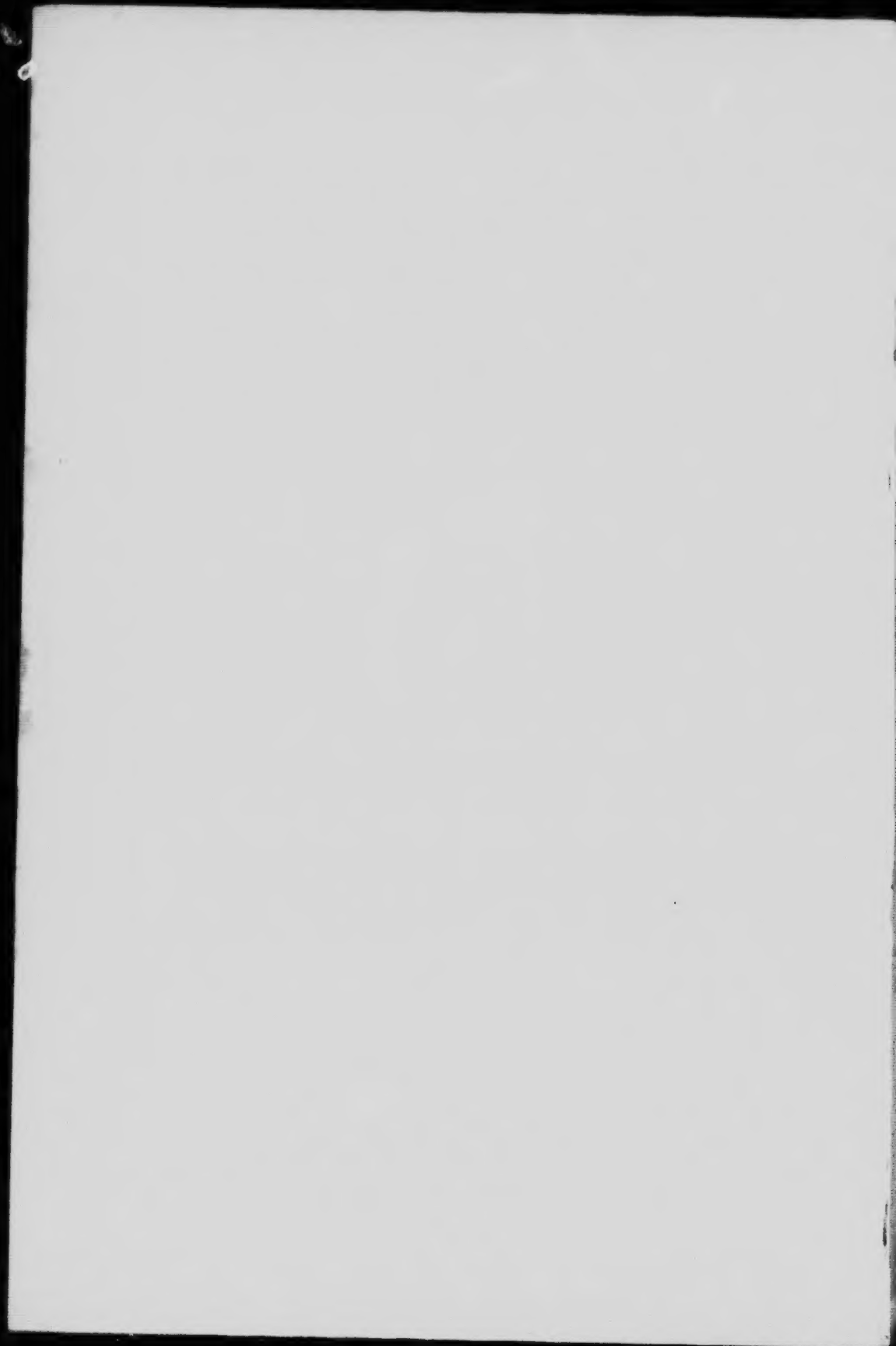


David M. McClellan





JOINT STOCK COMPANY BOOKKEEPING

...WITH...

General and Technical Information Respecting
Incorporated Companies,

...BY...

J. W. JOHNSON, F. C. A.,

ONE OF THE EXAMINERS FOR THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO
AND FOR TWO YEARS FIRST VICE-PRESIDENT, JOINT AUTHOR OF "THE CANADIAN
ACCOUNTANT." AUTHOR OF "PROMISSORY NOTES, DRAFTS AND CHEQUES."
ONE OF THE PRINCIPALS OF ONTARIO BUSINESS COLLEGE,
AND PRESIDENT OF THE BELLEVILLE GAS
COMPANY, LIMITED.

TENTH EDITION.

REVISED AND ENLARGED.

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BY PERMISSION,
THIS VOLUME IS DEDICATED TO
THE HONORABLE SIR MACKENZIE BOWELL, K. C. M. G.,
SENATOR, EX-PRIME MINISTER OF CANADA.

Entered according to Act of Parliament of Canada, in the year One Thousand
Eight Hundred and Seventy-eight,

BY
J. W. JOHNSON,
In the Office of the Minister of Agriculture.

T797

PREFACE.

TENTH EDITION.

This work is now in the tenth edition. It is intended to be an efficient aid and instructor in conducting the office work of a Joint Stock Company ; and, as well, a work of reference in general matters and technicalities pertaining to corporations of this kind, and a text book for the student of accounts, who is looking to the higher branches of accountancy as his field of operation.

It is written from the stand-point of long experience and observation as accountant, auditor, director and president in connection with Joint Stock Companies, and of a teacher of accounts.

The author has the most gratifying evidence from all parts of Canada and the United States that his aim has been accomplished. The sale of the book now extends from the Atlantic to the Pacific, throughout both countries.

In the present edition, as in previous ones, new and practical subjects have been added, and others enlarged upon.

Authors and compilers of Bookkeeping text books in Canada and the United States have evinced their appreciation of this work by drawing copiously from its pages, without authority, and without acknowledgment of the source of their information. Appreciation of their good judgment does not reconcile me to their piracy; and I hereby require that my copyright be strictly respected.

J. W. J

Ontario Business College,
Belleville, Ontario, Canada, 1901.

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JOINT STOCK COMPANIES.

DEFINITION, CONTRAST WITH ORDINARY TRADING PARTNERSHIPS, AND THEIR ADVANTAGES AND DISADVANTAGES.

A JOINT STOCK COMPANY is an association of individuals, who have united and have obtained incorporation for the purpose of carrying out an undertaking which would require a larger amount of capital than any single person would, ordinarily, be able or willing to risk. Each member subscribes and pays in money or property or services for shares in the capital stock. The object may be to mine, manufacture, trade, print, carry on a banking, loan or insurance business, or, in general, to do what an individual may do.

In conducting modern trade the tendency is in the direction of the joint stock principle. Not only are new enterprises now launched in the form of Joint Stock Companies, but old established concerns are being changed from single proprietorships, or from partnerships, into Joint Stock Companies.

The most prominent feature of a Joint Stock Company, in comparison with a general or ordinary partnership, is the limited liability of the shareholders. In a general partnership, each partner is personally liable to the full extent of his means for the whole of the partnership debts; whereas in a Joint Stock Company the liability of a shareholder ceases entirely when he has paid in full the amount of stock for which he subscribed. The limited liability principle induces people to invest in enterprises outside of their own occupation, thereby stimulating and increasing the trade of a locality or a country.

Mention, necessarily brief, of the various forms of partnership will be appropriate just here, in order that, in contrast with them, the nature of Joint Stock Companies may be more clearly understood. Partnership is the union of two or more individuals acting under a contract, whereby they mutually contribute their property or labour for the purpose of making profits jointly. The definition of a legal partnership may be given in the language of the civil code of New York as, "The association of two or more persons for the purpose of carrying on business together and dividing its profits between them." The usual criterion by which a partnership is ascertained to exist is an agreement to share profits. Mere joint ownership in property does not constitute in law a partnership, nor does the receiving of a commission or remuneration proportioned to profits by managers, clerks or servants make them partners.

General Partnership.

This is the common and ordinary form of partnership. In connection with it each individual partner is liable for all the debts and obligations incurred by the partnership to the full extent of his means, to the last dollar, whether found in or out of the business of the partnership. No agreement made between such partners to limit the liability of any general partner, so far as creditors are concerned, would have any effect. Each partner is the agent of the others, and, in the ordinary course of the firm's business, can pledge the firm's credit and enter into contracts without limit, however imprudent and foolish may be his acts. The partners are practically at the mercy of each other. Entering into a general partnership is, next to marriage, probably the most serious step in life.

While the obligations of the partners of a firm to others are as stated, the rights and obligations existing between themselves are entirely a matter of contract. The partners may make any kind of arrangement between themselves that they choose. The law does not require that a general partnership agreement shall be in writing; it may be made by word of mouth, but it would be folly to have it so. Unless provision is made in the partnership agreement for a definite period, the partnership is one at will, which any partner may dissolve at pleasure, subject, of course, to the jurisdiction of the Court to prevent bad faith. Dissolution, whether by effluxion of time, mutual agreement or otherwise, by which a partner retires and the remaining partners continue the business, and by agreement assume its liabilities, does not release the retiring partner from the obligations of the firm, incurred while he was a partner. He can be relieved of the obligations contracted by the new firm (even though his name should be continued) if he causes due and legal notices of the dissolution to be published. Such notices should be inserted in the *Gazette*, also in the local papers, and a circular notice should be sent to creditors and customers. Dissolution may take place by effluxion of time, and also by mutual consent. Death dissolves a partnership, so does the bankruptcy of a partner, and lunacy and misconduct are grounds sufficient for an application to the Court for dissolution. No new partner can be introduced without the consent of the rest. A partnership must be registered (in Ontario) at the registry office of the county, or city, within six months from the date of its formation.

A Special or Limited Partner

is one who joins a general partnership for the purpose of investing money. His position is defined by statute, and if he strictly adheres to its requirements his liability is limited to the sum of his investment. His contribution to the capital must be cash only; his name must not appear, and he must not in any way aid in carrying on the business, or interfere in its management. If he does, he will cease to be a special partner and becomes liable as a general partner. When forming a special partnership a certificate in the form prescribed by the Act, authenticated by a notary, must be filed in the office of the Clerk of the County Court in the county in which the business is carried on. This certificate must show the firm's name, the nature of the business, the names of the general and special partners respectively, the amount of capital which each special partner has invested, the period at which the partnership is to commence and the time at which it will terminate.

A Dormant or Silent Partner is one whose name does not generally appear to the world as a partner, but who, nevertheless, is to all intents and purposes a partner with unlimited liability like the rest.

A Nominal Partner is one who, while not really a partner as between the partners, has rendered himself liable by allowing it to be understood by his own acts or statements that he is a partner, or by failure to contradict the known statements of others implying that he is such a partner.

A Secret Partner is one who by agreement is to participate in the profits, but who is not known by the public to be a partner. If the relationship can be proved he may be held for the firm's debts like the other partners.

The Advantages of Joint Stock Companies.

The advantages afforded by the limited liability joint stock principle in carrying on a business are numerous and important. To the individual shareholder the most important is the "limited liability." In a partnership a man risks his all, whereas as a shareholder in a limited company his liability ends when he has paid for his stock (except in the case of a Bank, the shareholders of which are liable for double the amount of their subscribed stock.) In a partnership a man is at the mercy of his partners. Each partner is the unlimited agent of the others, and in the ordinary course of the firm's business can involve it to any extent, and each one is personally liable to the full extent of his means for all its liabilities and obligations. In a limited company the directors (those members to whom its management is intrusted) cannot bind their fellow-stockholders personally. Those to whom the company incurs liabilities know (or should know) that the assets of the company alone are available to pay its debts. Creditors of a limited company have no recourse to the individual members. In order that the public may readily distinguish limited liability companies from ordinary partnerships they are required by law, under a penalty, to attach the word "limited" to their names wherever they appear. For example, John Brown & Company (Limited); The Jones Manufacturing Company (Limited); The Times Printing Company (Limited).

The vast development in the commerce of the world during the past century has been rendered possible by joint stock companies bringing together the surplus capital of the people into great enterprises. Knowing definitely the extent of their liability, people are willing to take the defined risk and invest their money to create and carry on enterprises that are of infinite service to the locality in which they are situated, and of advantage to the world at large. No private individual or partnership would have undertaken to create the Bank of Montreal or build the Canadian Pacific Railway. Continuity, an element so essential to immense undertakings, can only be secured by the creation of corporations or companies which have an

existence apart from the individuals who compose them. These great companies are destined not only to serve the present, but the generations to come, and they can develop and train, or secure talent that will be as devoted and loyal to their service as that which an individual could exhibit in managing his own business.

For great undertakings the joint stock principle is the only one possible, and even if this were not so, it would still be the best.

Another advantage afforded by the existence of the great Joint Stock Companies is the opportunity they provide for people to profitably employ their savings, or the surplus capital not required in their own business or occupation ; for instance, a man may be a farmer, a doctor, a mechanic or a teacher, and devote his whole time to his occupation, and while doing this he may, by the investment of his savings in the shares of various companies, engage in the business of trading, banking, transportation, underwriting, manufacturing, etc., without giving either time or thought to the business, and without risk beyond the sum of the shares he has subscribed for ; and if he wishes to retire from any of them he can do so by disposing of his shares when and to whom he wishes. Being a corporation, a Joint Stock Company has a legal existence, is an entity, apart from its members ; consequently the transfer of shares from one person to another, or the death or bankruptcy of a member, in no way affects the company's perpetuity.

Everybody in a community is interested in some way in Joint Stock Companies. They run our railways, and most of our steamboats, provide us with banking facilities and currency, enable us to insure our lives, our property or our character ; they develop our mines and carry on most of the great manufacturing industries of the country.

As illustrating the amount of capital awaiting investment in promising Joint Stock Companies, and the desire manifested by all classes of people, of high as well as of low degree, to secure shares, it is interesting to note the rush that took place recently in Great Britain and in many other parts of the world, for Lipton stock, when the big grocery and provision concern of a proprietor named Lipton, who had shops scattered throughout England, Ireland and Scotland, was converted into a limited company. The following cable messages appeared in the newspapers of this continent :

MAD RUSH FOR LIPTON STOCK.

Applications Amount to \$250,000,000, and Still They Come.

ISSUE OF THE CHINESE LOAN HAD TO BE POSTPONED IN CONSEQUENCE.

"London, March 13, 1898.—Nothing could be more curious, as illustrating the strange new conditions of finance, than that a great statesmanlike measure like the Chinese loan could be embarrassed by the transformation of a tea and bacon merchant's business into a stock company. The rush for the shares in Sir Thomas J. Lipton's concern has had the effect of locking up nearly \$20,000,000 in cheque deposits, accompanying the stock applications, at the bank. These applications, numbering some 200,000, can hardly be dealt with in less than a fortnight, during which time a huge surplus cash is unavailable for other investments. This interferes greatly with all kinds of business, and had the effect of postponing the issue of the Chinese loan till March 21."

WONDERFUL SCENE.

"The scene at the National Bank of Scotland on Wednesday and Thursday beggars description. The bank's first postal delivery on Wednesday consisted of a vanload of 18,000 letters; 27,000 followed later, and on Thursday, while the crowds of personal applications rendered the ordinary work of the bank impossible, despite an extra staff and the engagement of the adjoining premises, similar scenes occurred in the offices of Sir Thomas Lipton and his brokers. Hundreds of clerks have been working night and day classifying and answering the applications, which, when the lists were closed, amounted to \$250,000,000. The post still brings belated applications, and appealing cablegrams are coming from Canada, United States, South Africa and South America.

Many curious applications have been received, from a modest, ragged and filthy £1 note of Scotland, to a hurried, unsigned cheque for thousands of pounds, and envelopes casually stuffed with bank notes to the value of hundreds.



THE LIPTON SHAREHOLDERS.

They Number Seventy-Five Thousand in All.

PREMIER LAURIER OF CANADA THE OWNER OF 1,000.

"London, Oct. 17.—The list of shareholders in Lipton's is just issued. It fills ten huge volumes—each about the size of an ancient family Bible—and is the longest that has ever been stored at Somerset house, the official repository of the records of limited liability companies. There are about 75,000 shareholders. Country grocers and customers form the vast majority, but the names of some who have had large blocks of shares allotted to them are worth reprinting for various reasons:—

The Right Hon. the Speaker of the House of Commons.....	1,000
The Right Hon. the Lord Chief Justice of England	5,000
The Right Hon. Mr. Justice Jeune.....	5,000
Lady Jeune.....	5,000
The Duke of Fife.....	1,000
The Right Hon. Lord Rothschild.....	5,000
Sir J. Faudel Philips and H. J. Davis	1,000
The Premier of Canada.....	1,000
The Right Hon. Lord Selborne.....	1,500
T. P. O'Connor, M. P.....	1,000
Michael Davitt, M. P.....	1,000
Timothy Healy, M. P.....	750
Right Hon. H. H. Asquith, Q.C., M. P.....	750
Clement Scott, Daily Telegraph office.....	750

SOME DISADVANTAGES.

The running of small concerns as Joint Stock Companies has some disadvantages; they cannot train up men for the business and retain them for years or for life, as the great companies can. A business that may be a success under the personal direction of a proprietor, or the members of a partnership, possessing keen personal interest in its management, might (and often does) prove a failure if administered by the employees of a company in which no one has more than a meagre interest. When asked to subscribe for stock in a company formed to carry on a business which has been successfully conducted by an individual or a partnership, whose individuality and personal attention have secured its success, it would be well to ascertain what amount of stock the former proprietor or partners propose to take in the new company, and whether the personal attention and skill which made the old business successful are to be available as fully for the new company.

DOMINION LEGISLATION.

The incorporation of Joint Stock Companies may, under Dominion Legislation, be effected in two ways, either by obtaining a special Act of Parliament (an example of which is given beginning at page 56), or under "The Companies' Act," as detailed below. Banking, Insurance and Railroad Companies must be incorporated by special Act, as their requirements are such, and the powers which they seek are so extensive, that special legislation determining their limit and scope is absolutely necessary. For all ordinary undertakings, such as the carrying on of any kind of Trading, Manufacturing, Printing, Ship-building, Mining, Mechanical or Chemical business, incorporation under the General Act (all of which is given hereafter) is amply sufficient. It is called incorporation by Letters Patent.

INFORMATION respecting the incorporation of Joint Stock Companies by letters patent under the provisions of "The Companies' Act," Revised Statutes of Canada, 1886, Chapter 119, prepared for the use and guidance of intending applicants.

LETTERS PATENT.

The Governor-in-Council may, by letters patent under the Great Seal, grant a Charter to any number of persons not less than five, who petition therefor constituting such persons, and others who thereafter become shareholders in the company thereby created, a body corporate and politic, for any of the purposes or objects to which the Legislative authority of the Parliament of Canada extends, except the construction and working of railways or the business of banking and the issue of paper money, or the business of insurance.

PUBLIC NOTICE.

The applicants for such letters patent must give at least one calendar month's previous notice in the *Canada Gazette* of their intention to apply for same. All communications having reference to the publication of the notice should be addressed to the King's Printer and Controller of Stationery, Ottawa.

The notice must contain the following particulars:—

I. The proposed corporate name of the company, which must not be that of any other known company, incorporated or unincorporated, or any name liable to be confounded therewith, or otherwise on public grounds objectionable.

The name of a company should, as far as it is possible, indicate its object. The prefix "The" and the word "Company" or some equivalent collective appellation such as "Factory," "Association" or "Club" must form part of the corporate name of all companies incorporated under this Act. The word "Limited" must likewise be added to the proposed name.

II. The purposes within the purview of the Act for which its incorporation is sought.

(a.) Intending applicants should not overlook the provisions which the Statute makes for the acquiring of real estate, buildings, etc., requisite for the due carrying out of the undertaking of the company, and for the doing of all business properly incidental thereto, and should omit from their notice all reference to powers provided for by the Act.

(b.) The intention of the Act is to limit the powers of a company to the due carrying out of but one object and the strictly necessary adjuncts thereto, and the practice of the department is to so restrict them. It is useless, therefore, for intending applicants to encumber their petition with the recital of a multiplicity of powers which cannot be granted.

(c.) In the charter granted to telegraph and telephone companies the following provisions are added to the powers given to these companies, and are incorporated in their charters. These should, therefore, be embodied in the petition for incorporation, though not necessarily inserted in the notice.

Provided that nothing herein contained shall be construed to interfere with any private rights or to confer on the said company the right of building bridges, piers, or works over any navigable river in Canada, without the consent of the Governor-in-Council, or of erecting posts or placing their line of telegraph (or telephone) upon the line of any railway, without the consent of the company or parties to whom such railway belongs.

Provided also that any message in relation to the administration of justice, the arrest of criminals, the discovery or prosecution of crime, and government messages or despatches shall always be transmitted in preference to any other message or despatch, if required by any person connected with the administration of justice or any person thereto authorized by any Minister of Canada.

(d.) If it is not specifically stated in the purposes for which incorporation is sought that the operations of the company are to be carried on throughout the Dominion of Canada, that fact should be set out in a supplementary paragraph to be added to such purposes.

III. The place within the Dominion of Canada which is to be its chief place of business.

The above is the language of the statute; consequently one place only can be named in the Charter as the chief place of business.

IV. The proposed amount of its Capital Stock, which in case of a Loan Company, shall not be less than one hundred thousand (\$100,000) dollars.

V. The number of shares into which the capital is intended to be divided, and the amount of each share.

VI. The Christian names in full and the address or residence, and the calling and occupation of each of the applicants, with special mention of not less than three—nor more than fifteen, of their number, who are to be the first or provisional directors of the Company, and the majority of whom must be resident in Canada.

Each director must be a shareholder in the company, and own stock absolutely in his own right.

THE PETITION.

I. At any time not more than one month after the last publication of such notice in the *Canada Gazette*, the applicants may petition the Governor-General, through the Secretary of State of Canada, for the issue of such letters patent.

(a.) The persons who petition must be the same persons whose names appear in the notice in the *Canada Gazette*, and must be shareholders in the proposed company.

(b.) One-half of the proposed capital stock must be subscribed for and ten per cent. in cash paid in thereon by those whose names are set out in the notice in the *Canada Gazette* and in the petition, or by some of them. Stock subscribed for by persons who have not joined in the notice and petition shall not be recognized.

(c.) The petition must correspond in every particular with the facts set forth in the notice inserted in the *Canada Gazette* and should contain the following additional information, that is to say:—

The amount of stock taken by each of the petitioners respectively ; the amount paid in thereon by each applicant, and how it is held for the company, and whether it was paid in cash, by services, or by the purchase or transfer of property, or how otherwise. This information should be given in the form of the tabulated statement embodied in the specimen petition hereto annexed. The Stock Book of the Company need not be produced.

The aggregate of the stock taken must be at least one-half of the total amount of the stock of the company. The aggregate paid in on the stock taken must, if the company be not a loan company, be at least ten per cent. thereof.*

Such aggregate must have been paid in to the credit of the company, or to the credit of trustees (at least two in number) therefor, and must be standing at such credit in some chartered bank or banks in Canada. A certificate must be produced showing that this has been done, which should be signed by the Manager of the Bank in which the deposit has been made. The Manager should sign in the presence of a witness who should make a Statutory Declaration of Execution.

If the object of the company is one requiring that it should own real estate, any portion, not more than one-half of such aggregate, may be taken as paid in, if *bona fide* invested in real estate suitable to such object, duly held by trustees (at least two in number) for the company, and being of the required value, over and above all encumbrances thereon.

Evidence must be produced showing the value of the real estate which it is proposed to transfer to the company.

The petition may ask for the embodying in the letters patent of any provision which under the Act might be made by by-law of the Company incorporated ; and such provision so embodied shall not, unless provision to the contrary be made in the letters patent, be subject to repeal or alteration by by-law.

The petition must be signed by each of the applicants in person, and in presence of a witness. If, however, this is found impracticable in any case, the applicant may sign by an attorney, but the original Power of Attorney, or a duly authenticated or notarial copy thereof, must be produced. Each signature should be verified by an affidavit or statutory declaration made by the witness thereof.

PROOF REQUIRED BY SECTION 6 OF THE ACT.

(a) An Affidavit or Statutory Declaration establishing the sufficiency of the petition and the truth and sufficiency of the facts therein stated, also that the proposed name of the company is not that of any other known incorporated or unincorporated Company.

(b) An Affidavit or Statutory Declaration proving the publication in the *Canada Gazette* of the notice required by Section 6 of the Act, setting out the dates of the several insertions and having attached to it a copy of such notice.

(c) Affidavits or Statutory Declarations verifying the signatures of the petitioners.

The proofs required with reference to the truth and sufficiency of the facts stated in the petition, and with respect to the proposed corporate name, may be made by

* The Capital of a Loan Company must be at least \$1000,000; the amount subscribed, at least one-half; and the amount paid in, at least ten per cent. thereof.

an affidavit or affirmation, or statutory declaration of any of the petitioners or their Attorney or Agent, who should be a resident of the Dominion of Canada.

FEEs.

No step shall be taken in any department of the Government towards the issue of any letters patent until after the amount of all fees therefor shall have been duly paid.

The following is the schedule of fees payable under Section 84 of the Act :—

- | | |
|---|-------|
| 1. When the proposed capital is \$1,000,000 or upwards | \$500 |
| 2. When the proposed capital stock of the Company is \$500,000 or upwards and less than \$1,000,000 | 300 |
| 3. When the proposed capital stock of the Company is \$200,000 or upwards and less than \$500,000 | 250 |
| 4. When the proposed capital stock of the Company is \$100,000 or upwards and less than \$200,000 | 200 |
| 5. When the proposed capital stock of the Company is more than \$40,000 or less than \$100,000 | 150 |
| 6. When the proposed capital stock of the Company is \$40,000 or less than \$40,000 | 100 |

On application for Supplementary Letters Patent the fee is to be one half of that charged on the original letters patent, except "when an increase of capital stock is applied for, in which case the fee thereon shall be based upon the actual increase of the capital stock, and the fee payable shall be the same as is payable upon Letters Patent for the incorporation of a company whose capital stock is of the same amount as such increase."

All fees must be paid in cash or by an accepted cheque made payable to the order of the Honorable the Secretary of State, and must be transmitted to him by Registered Letter.

SUPPLEMENTARY LETTERS PATENT

Supplementary letters patent may be granted to a Company for :—

1. Changing Corporate name of Company.
2. Obtaining of further powers.
3. Increasing the capital stock.
4. Decreasing the capital stock.
5. Subdividing the existing shares.

The following are the provisions of the Act with respect to the issuing of supplementary letters patent for any of the above purposes.

1.—CHANGE OF CORPORATE NAME.

Section 8. When a company incorporated under this Act is desirous of adopting another name, the Governor-in-Council, upon being satisfied that the change desired is not for any improper purpose, may direct the issue of supplementary letters patent reciting the former letters patent and changing the name of the company to some

other name, which shall be set forth in the supplementary letters patent. 40 V., c. 43, s. 12.

12. No alteration of its name under the two sections next preceding shall affect the rights or obligations of the company; and all proceedings may be continued or commenced by or against the company under its new name that might have been continued or commenced by or against the company under its former name. 40 V., c. 43, s. 13.

2.—OBTAINING OF FURTHER POWERS.

13. The company may, from time to time, by a resolution passed by the votes of shareholders representing at least two-thirds in value of the subscribed stock of the company, at a special general meeting called for the purpose, authorize the directors to apply for supplementary letters patent extending the powers of the company to such other purposes or objects, for which a company may be incorporated under this Act, as are defined in the resolution. 40 V., c. 43, s. 14.

14. The directors may, at any time within six months after the passing of any such resolution, petition the Governor-in-Council through the Secretary of State, for the issue of such supplementary letters patent:

2. The applicants for such supplementary letters patent shall give at least one month's notice in the *Canada Gazette* of their intention to apply for the same, stating therein the purposes or objects to which it is desired to extend the powers of the company. 40 V., c. 43, s. 15.

15. Before such supplementary letters patent are issued, the applicants shall establish to the satisfaction of the Secretary of State or of such other officer as is charged by the Governor-in-Council to report thereon, the due passing of the resolution authorizing the application and the sufficiency of their notice and petition; and for that purpose the Secretary of State, or such other officer, shall take and keep of record any requisite evidence in writing, by oath or affirmation, or by solemn declaration. 40 V., c. 43, s. 16.

16. Upon due proof so made, the Governor in Council may grant supplementary letters patent under the Great Seal, extending the powers of the company to all or any of the objects defined in the resolution; and notice thereof shall be forthwith given by the Secretary of State, in the *Canada Gazette*, in the form B in the schedule to this Act; and thereupon, from the date of the supplementary letters patent, the undertaking of the company shall extend to and include the other purposes or objects set out in the supplementary letters patent as fully as if such other purposes or objects were mentioned in the original letters patent; and a copy of every such notice shall forthwith be, by the company to which the notice relates, inserted on four separate occasions in at least one newspaper in the county, city or place where the head office or chief agency is established. 40 V., c. 43, ss. 17 and 106.

3, 4 and 5.—INCREASE OR REDUCTION OF CAPITAL STOCK AND SUBDIVISION OF EXISTING SHARES.

17.—The directors of the company, other than a loan company may, at any time, make a by-law subdividing the existing shares into shares of a smaller amount. 40 V., c. 43, s. 19.

18. The directors of the company may, at any time after the whole capital stock of the company has been taken up and fifty per cent. thereon paid in, make a by-law for increasing the capital stock of the company to any amount which they consider requisite for the due carrying out of the objects of the company :

2. Such a by-law shall declare the number of the shares of the new stock, and may prescribe the manner in which the same shall be allotted : and in default of its so doing, the control of such allotment shall vest absolutely in the directors. 40 V., c. 43, s. 20.

19. The directors of the company may, at any time, make a by-law for reducing the capital stock of the company to any amount which they consider advisable and sufficient for the due carrying out of the undertaking of the company : but the capital stock of a loan company shall never be reduced to less than one hundred thousand dollars :

2. Such by-law shall declare the number and value of the share of the stock as so reduced, and the allotment thereof, or the manner in which the same shall be made :

3. The liability of shareholders to persons who were, at the time of the reduction of the capital, creditors of the company, shall remain the same as if the capital had not been reduced. 40 V., c. 43, ss. 21 and 22, *part*.

20. No by-law for increasing or reducing the capital stock of the company, or for subdividing the shares, shall have any force or effect whatsoever, until it is approved by the votes of shareholders representing at least two-thirds in value of all the subscribed stock of the company, at a special general meeting of the company duly called for considering the same, and afterwards confirmed by supplementary letters patent. 40 V., c. 53, s. 22, *part*.

21. At any time, not more than six months after such sanction of such by-law, the directors may petition the Governor-in-Council, through the Secretary of State, for the issue of supplementary letters patent to confirm the same :

2. The directors shall, with such petition, produce a copy of such bylaw, under the seal of the company, and signed by the president, vice-president or secretary, and establish to the satisfaction of the Secretary of State, or of such other officer as is charged by the Governor-in-Council to report thereon, the due passage and approval of such by-law, and the expediency and *bona fide* character of the increase or reduction of capital or subdivision of shares, as the case may be, thereby provided for :

3. The Secretary of State or such officer shall, for that purpose, take and keep of record any requisite evidence in writing, by oath or affirmation or by solemn declaration, as above mentioned. 40 V., c. 43, s. 23.

22. Upon due proof so made, the Governor-in Council may grant such supplementary letters patent under the Great Seal ; and notice thereof shall be forthwith given by the Secretary of State in the *Canada Gazette*, in the form C. in the schedule to this Act ; and thereupon, from the date of the supplementary letters patent, the capital stock of the company shall be and remain increased or reduced, or the shares

shall be subdivided, as the case may be, to the amount, in the manner and subject to the conditions set forth by such by-law; and the whole of the stock, as so increased or reduced, shall become subject to the provisions of this Act, in like manner as far as possible, as if every part thereof had been or formed part of the stock of the company originally subscribed. 40 V., c. 43, s. 24.

FORM OF PETITION FOR INCORPORATION.

TO HIS EXCELLENCY

THE GOVERNOR-GENERAL-IN-COUNCIL.

The petition of

(Here insert names in full, address, and calling, or occupation of each of the applicants.)

1. That your petitioners are desirous of obtaining a Charter of Incorporation by Letters Patent under the provisions of "The Companies Act" (Revised Statutes of Canada, Chapter 119) incorporating your petitioners and such others as may become shareholders in the company, thereby created, a body corporate and politic, under the name of "The _____ Company" (Limited), which is not the name of any other known company incorporated or unincorporated, or liable to be confounded therewith, or otherwise on public grounds objectionable.

2. That your petitioners have given one month's previous notice of their intention to apply for the said letters patent, by inserting the same in the issues of the *Canada Gazette* of the following dates, 19 _____, viz. :—

3. That the purposes or objects of the said company within the purview of the Act for which incorporation is sought, are :—

4. That the operations of the said company are to be carried on at _____, and elsewhere throughout the Dominion of Canada.

5. That the chief place of business of the said company is to be at the _____ of _____ in the Province of _____ in the Dominion of Canada aforesaid.

6. That the amount of the capital stock of the said company is to be _____ dollars.

7. That the said stock is to be divided into shares, of the value of _____ dollars each.

8. That the said _____ are to be the first or provisional directors of the said company.

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Signed and
executed in the
presence of

Canada, } In the matter of the application of
Province of } and others for letters patent of incorporation as "The
County of } Company"
To wit : } (Limited).

I, _____ of the
of _____ in the County of _____
and Province of _____, do solemnly declare :-

1, That I was personally present and did see _____ sign their
respective names to the petition (hereunto annexed) praying for letters patent of
incorporation as "The _____
Company" (Limited).

2. That I know the said

3. That the signatures of
are of the proper handwriting of the said parties respectively.

4. That the several allegations and statements made and contained in the petition for incorporation of "The Company" (Limited) hereunto annexed, are, to the best of my knowledge and belief, true and correct.

5. That the proposed corporate name "The Company" (Limited), is not, as I verily believe, the name of any other known company, incorporated or unincorporated, or liable to be confounded therewith, or otherwise on public grounds objectionable.

* Where it is impossible for one person to subscribe as to the facts set out in the several paragraphs of this declaration, it will, of course, be necessary to omit that portion and have it established in a separate declaration by some one possessing the requisite knowledge.

6. That I have examined copies of the *Canada Gazette* published on the _____ and in each of said issues of that publication is inserted the notice of application in this matter similar to that hereto annexed marked _____.

7. That I was personally present, and did see the annexed certificate of deposit duly signed by _____ who is manager (agent or cashier) of the Bank of _____ at the _____ of aforesaid.

8. That I know the said _____

9. That I am the subscribing witness to the said document.

And I make this solemn declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as if made under oath and by virtue of "The Canada Evidence Act, 1893."

Declared before me at the _____
of _____ in the _____
of _____ this _____
day of _____ A. D. 190 . }

BANK MANAGER'S CERTIFICATE.

In the matter of the application of _____ and others for letters patent of incorporation, as "The Company" (Limited).

I, _____, of the _____ of _____ at the _____ of _____ in _____ in the _____ of _____ and Province of _____ do hereby certify

That there is deposited in this bank to the credit of _____ the sum of _____ dollars, and the said sum is now remaining at such credit.

Dated at _____ aforesaid this _____ day of _____ A. D. 19 .

Witness _____

Manager (or agent).

(Here state if amount be deposited to the credit of the company or of trustees therefor.)

THE COMPANIES ACT.

REVISED STATUTES OF CANADA.—CHAPTER 119.

A. D. 1876.

An Act Respecting the Incorporation of Joint Stock Companies by Letters Patent.

HER Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows :—

SHORT TITLE.

Short title.

1. This act may be cited as "*The Companies Act.*" 40 V., c. 43, s. 1.

INTERPRETATION.

Interpretation.

2. In this act, and in all letters patent and supplementary letters patent issued under it, unless the context otherwise requires,—

"Company."

(a.) The expression "the company" means the company incorporated by letters patent under this Act ;

"Undertaking."

(b.) The expression "the undertaking" means the business of every kind which the company is authorized to carry on ;

"Loan company."

(c.) The expression "loan company" means a company incorporated for any of the purposes to which the powers of loan companies extend, as hereinafter provided ;

"Real estate land."

(d.) The expression "real estate" or "land," includes messuages, lands, tenements and hereditaments of any tenure, and all immovable property of any kind ;

"Shareholder."

(e.) The expression "shareholder" means every subscriber to or holder of stock in the company, and includes the personal representatives of the shareholder ;

"Manager."

(f.) The expression "manager" includes the cashier and secretary. 40 V., c. 43, s. 2.

LETTERS PATENT.

Companies formed for certain purposes may be incorporated by letters patent.

3. The Governor-in-Council may, by letters patent under the Great Seal, grant a charter to any number of persons, not less than five, who petition therefor, constituting such persons and others who thereafter become shareholders in the company thereby created, a body corporate and politic, for any of the purposes or objects to which the legislative authority of the Parliament of Canada extends,

except the construction and working of railways, or the business of banking and the issue of paper money, or the business of insurance.
40 V., c. 43, s. 3.

Exception.

4. The applicants for such letters patent shall give at least one month's previous notice, in the *Canada Gazette*, of their intention to apply for the same, stating therein,—

Notice to be given, and what it shall contain.

(a.) The proposed corporate name of the company, which shall not be that of any other known company, incorporated or unincorporated, or any name liable to be confounded therewith, or otherwise, on public grounds, objectionable ;

Name.

(b.) The purposes for which its incorporation is sought ;

Purposes.

(c.) The place within Canada which is to be its chief place of business ;

Chief place of business.

(d.) The proposed amount of its capital stock—which, in the case of a loan company, shall not be less than one hundred thousand dollars ;

Capital.

(e.) The number of shares and the amount of each share ;

Shares.

(f.) The names in full and the address and calling of each of the applicants, with special mention of the names of not more than fifteen and not less than three of their number, who are to be the first or provisional directors of the company, and the majority of whom shall be residents of Canada. 40 V., c. 43, s. 4.

Names, &c., of applicants.

5. At any time, not more than one month after the last publication of such notice, the applicants may petition the Governor-in-Council, through the Secretary of State, for the issue of such letters patent :

Petition for letters patent.

2. Such petition shall state the facts set forth in the notice, the amount of stock taken by each applicant, the amount paid in upon the stock of each applicant, and the manner in which the same has been paid in, and is held for the company :

What it shall contain.

3. The aggregate of the stock so taken shall be at least the one half of the total amount of the proposed capital stock of the company :

A certain amount of stock must be taken.

4. The aggregate so paid in thereon shall, if the company is not a loan company, be at least ten per cent. of the stock so taken ; if the company is a loan company the aggregate so paid in of the stock so taken shall be at least ten per cent. thereof, and shall not be less than one hundred thousand dollars :

And a certain amount paid up thereon.

5. Such aggregate shall be paid in to the credit of the company, or of trustees therefor, and shall be standing at such credit in some chartered bank or banks in Canada, unless the object of the company is one requiring that it should own real estate—in which

Disposal of amount paid up.

case any portion not exceeding one-half of such aggregate may be taken as paid in, if it is *bona fide* invested in real estate suitable to such object, which is duly held by trustees for the company, and is of the required value, over and above all incumbrances thereon :

Certain provisions may be inserted in letters patent.

6. The petition may ask for the embodying in the letters patent of any provision which, under this Act, might be made by by-law of the company ; and such provision so embodied shall not, unless provision to the contrary is made in the letters patent, be subject to repeal or alteration by by-law. 40 V., c. 43, s. 5

Preliminary matters to be established.

6. Before the letters patent are issued, the applicants shall establish, to the satisfaction of the Secretary of State, or of such other officer as is charged by the Governor-in-Council to report thereon, the sufficiency of their notice and petition, and the truth and sufficiency of the facts therein set forth, and that the proposed name is not the name of any other known incorporated or unincorporated company ; and for that purpose, the Secretary of State, or such other officer, shall take and keep of record any requisite evidence in writing, by oath or affirmation or by solemn declaration. 40 V., c. 43, s. 6.

Proof of facts asserted.

Facts to be recited in letters patent.

7. The letters patent shall recite such of the established averments of the notice and petition as to the Governor-in-Council seems expedient. 40 V., c. 43, s. 7.

Governor may give another corporate name.

8. The Governor-in-Council may give to the company a corporate name, different from that proposed by the applicants in their published notice, if the proposed name is objectionable. 40 V., c. 43, s. 8.

Notice of issuing letters patent.

9. Notice of the granting of the letters patent shall be forthwith given by the Secretary of State, in the *Canada Gazette*, in the form A in the schedule to this Act ; and thereupon, from the date of the letters patent, the persons therein named, and their successors, shall be a body corporate and politic, by the name mentioned therein ; and a copy of every such notice shall forthwith be, by the company to which such notice relates, inserted on four separate occasions in at least one newspaper in the county, city or place where the head office or chief agency is established. 40 V., c. 43, ss. 9 and 106.

SUPPLEMENTARY LETTERS PATENT.

Change of Name.

Governor may change name by supplementary patent.

10. If it is made to appear, to the satisfaction of the Governor-in-Council, that the name of any company (whether given by the original or by supplementary letters patent, or on amalgamation) incorporated under this Act, is the same as the name of an existing incorporated or unincorporated company, or so similar thereto as to be liable to be confounded therewith, the Governor-in-Council may direct the issue of supplementary letters patent, reciting the former

letters and changing the name of the company to some other name which shall be set forth in the supplementary letters patent. 40 V., c. 43, s. 11.

11. When a company incorporated under this Act is desirous of adopting another name, the Governor-in-Council, upon being satisfied that the change desired is not for any improper purpose, may direct the issue of supplementary letters patent, reciting the former letters patent and changing the name of the company to some other name, which shall be set forth in the supplementary letters patent. 40 V., c. 43, s. 12.

Company may obtain change of name.

12. No alteration of its name under the two sections next preceding shall affect the rights or obligations of the company; and all proceedings may be continued or commenced by or against the company under its new name that might have been continued or commenced by or against the company under its former name. 40 V., c. 43, s. 13.

Change not to effect rights or obligations

Obtaining of Further Powers.

13. The company may, from time to time, by a resolution passed by the votes of shareholders representing at least two-thirds in value of the subscribed stock of the company, at a special general meeting called for the purpose, authorize the directors to apply for supplementary letters patent extending the powers of the company to such other purposes or objects, for which a company may be incorporated under this Act, as are defined in the resolution. 40 V., c. 43, s. 14.

Company may authorize directors to apply for extension of powers.

14. The directors may, at any time within six months after the passing of any such resolution, petition the Governor-in-Council, through the Secretary of State, for the issue of such supplementary letters patent:

Application by directors.

2. The applicants for such supplementary letters patent shall give at least one month's notice in the *Canada Gazette* of their intention to apply for the same, stating therein the purposes or objects to which it is desired to extend the powers of the company. 40 V., c. 43, s. 15.

Notice of application to be given.

15. Before such supplementary letters patent are issued, the applicants shall establish to the satisfaction of the Secretary of State or of such other officer as is charged by the Governor-in-Council to report thereon, the due passing of the resolution authorizing the application and the sufficiency of their notice and petition; and for that purpose the Secretary of State, or such other officer, shall take and keep of record any requisite evidence in writing, by oath or affirmation, or by solemn declaration. 40 V., c. 43, s. 16.

Proof to be furnished to Secretary of State

Grant of supplementary letters patent.

Notice of issue thereof.

Subdivision of shares.

Increase of capital.

By-law for that purpose.

Reduction of capital.

Proviso; as to loan companies.

By-law for that purpose.

Liability to creditors not affected.

Such by-law to be approved by shareholders and confirmed by supplementary letters patent.

16. Upon due proof so made, the Governor-in-Council may grant supplementary letters patent under the Great Seal, extending the powers of the company to all or any of the objects defined in the resolution; and notice thereof shall be forthwith given by the Secretary of State, in the *Canada Gazette*, in the form B in the schedule to this Act; and thereupon, from the date of the supplementary letters patent, the undertaking of the company shall extend to and include the other purposes or objects set out in the supplementary letters patent as fully as if such other purposes or objects were mentioned in the original letters patent; and a copy of every such notice shall forthwith be, by the company to which the notice relates, inserted on four separate occasions in at least one newspaper in the county, city or place where the head office or chief agency is established. 40 V. c. 43, ss. 17 and 106.

Increase or Reduction of Capital, &c.

17. The directors of the company, other than a loan company, may, at any time, make a by-law subdividing the existing shares into shares of a smaller amount. 40 V., c. 43, s. 19.

18. The directors of the company may, at any time after the whole capital stock of the company has been taken up and fifty per cent. thereon paid in, make a by-law for increasing the capital stock of the company to any amount which they consider requisite for the due carrying out of the objects of the company:

2. Such by-law shall declare the number of the shares of the new stock, and may prescribe the manner in which the same shall be allotted; and in default of it so doing, the control of such allotment shall vest absolutely in the directors. 40 V., c. 43, s. 20.

19. The directors of the company may, at any time, make a by-law for reducing the capital stock of the company to any amount which they consider advisable and sufficient for the due carrying out of the undertaking of the company; but the capital stock of a loan company shall never be reduced to less than one hundred thousand dollars:

2. Such by-law shall declare the number and value of the shares of the stock as so reduced, and the allotment thereof, or the manner in which the same shall be made:

3. The liability of shareholders to persons who were, at the time of reduction of the capital, creditors of the company, shall remain the same as if the capital had not been reduced. 40 V., c. 43, ss. 21 and 22, *part*.

20. No by-law for increasing or reducing the capital stock of the company, or for subdividing the shares, shall have any force or effect whatsoever, until it is approved by the votes of shareholders representing at least two-thirds in value of all the subscribed stock of

the company, at a special general meeting of the company duly called for considering the same, and afterwards confirmed by supplementary letters patent. 40 V., c. 43, s. 22, *part*.

21. At any time, not more than six months after such sanction of such by-law, the directors may petition the Governor-in-Council, through the Secretary of State, for the issue of supplementary letters patent to confirm the same :

Petition for supplementary letters patent to confirm by-law.

2. The directors shall, with such petition, produce a copy of such by-law, under the seal of the company, and signed by the President, Vice-President or Secretary, and establish to the satisfaction of the Secretary of State, or of such other officer as is charged by the Governor-in-Council to report thereon, the due passage and approval of such by-law, and the expediency and *bona fide* character of the increase or reduction of capital or subdivision of shares, as the case may be, thereby provided for :

By-law, &c., to be produced with petition.

3. The Secretary of State or such officer shall, for that purpose, take and keep of record any requisite evidence in writing, by oath or affirmation or by solemn declaration, as above mentioned. 40 V., c. 43, s. 23.

Evidence may be taken and kept by Secretary of State

22. Upon due proof so made, the Governor-in-Council may grant such supplementary letters patent under the Great Seal ; and notice thereof shall be forthwith given by the Secretary of State in the *Canada Gazette*, in the form C, in the schedule to this Act : and thereupon, from the date of the supplementary letters patent, the capital stock of the company shall be and remain increased or reduced, or the shares shall be subdivided, as the case may be, to the amount, in the manner and subject to the conditions set forth by such by-law ; and the whole of the stock, as so increased or reduced, shall become subject to the provisions of this Act, in like manner, as far as possible, as if every part thereof had been or formed part of the stock of the company originally subscribed. 40 V., c. 43, s. 24

Granting of supplementary letters patent ; — notice ; effect of such letter patent.

POWERS OF THE COMPANY.

23. All powers given to the company by the letters patent or supplementary letters patent shall be exercised, subject to the provisions and restrictions contained in this Act. 40 V., c. 43, s. 25.

Powers given to be subject to this Act.

24. Every company incorporated under this Act may acquire, hold, sell and convey any real estate requisite for the carrying on of the undertaking of such company, and shall forthwith become and be invested with all property and rights, real and personal, theretofore held by or for it under any trust created with a view to its incorporation, and with all the powers, privileges and immunities requisite or incidental to the carrying on of its undertaking, as if it was incorporated by a special Act of Parliament, embodying the provi-

General corporate powers.

Provision as to loan companies.

sions of this Act and of the letters patent: Provided always, that the exercise by loan companies of the powers conferred by this section shall be subject to the special provisions respecting such companies hereafter contained. 40 V., c. 43, s. 10.

CAPITAL STOCK.

Stock to be personal estate.

25. The stock of the company shall be personal estate, and shall be transferable, in such manner, and subject to all such conditions and restrictions as are prescribed by this Act or by the letters patent or by by-laws of the company. 40 V., c. 43, s. 34.

Allotment of stock.

26. If the letters patent, or the supplementary letters patent, make no other definite provision, the stock of the company, or any increased amount thereof, so far as it is not allotted thereby, shall be allotted at such times and in such manner as the directors prescribe by by-law. 40 V., c. 43, s. 35.

Shares to be paid in cash, subject to certain exceptions.

27. Every share in the company shall, subject to the provision, of sub-section five of section five of this Act, be deemed to have been issued and to be held subject to the payment of the whole amount thereof in cash, unless the same has been otherwise agreed upon or determined by a contract duly made in writing and filed with the Secretary of State at or before the issue of such shares. 40 V., c. 43, s. 83.

DIRECTORS.

Board of directors.

28. The affairs of the company shall be managed by a board of not more than fifteen and not less than three directors. 40 V., c. 43, s. 26.

Personal directors.

29. The persons named as such, in the letters patent, shall be the directors of the company, until replaced by others duly appointed in their stead. 40 V., c. 43, s. 27.

Qualifications of subsequent directors.

30. No person shall be elected or appointed as a director thereafter unless he is a shareholder, owning stock absolutely in his own right, and to the amount required by the by-laws of the company, and not in arrear in respect of any call thereon; and at all times the majority of the directors of the company shall be persons resident in Canada. 40 V., c. 43, s. 28.

By-law for increase or decrease of number of directors.

31. The company may, by by-law, increase to not more than fifteen, or decrease to not less than three, the number of its directors, or may change the company's chief place of business in Canada; but no by-law for either of the said purposes shall be valid or acted upon unless it is approved by a vote of at least two-thirds in value of the stock represented by the shareholders present at a special general meeting duly called for considering the by-law; nor until a copy of such by-law, certified under the seal of the company, has been deposited with the Secretary of State, and has also been published in the *Canada Gazette*. 40 V., c. 43, s. 18.

When to be valid.

32. Directors of the company shall be elected by the shareholders, in general meeting of the company assembled at some place within Canada, - at such times in such manner and for such term, not exceeding two years, as the letters patent, or, in default thereof, as the by-laws of the company prescribe. 40 V., c. 43, s. 29.

Election of directors.

33. In the absence of other provisions in such behalf, in the letters patent or by laws of the company,

Mode and time of election.

(a.) The election of directors shall take place yearly, and all the directors then in office shall retire, but, if otherwise qualified, they shall be eligible for re-election :

Yearly.

(b) Notice of the time and place for holding general meetings of the company shall be given at least twenty-one days previously thereto, in some newspaper published in the place where the head office or chief place of business of the company is situate, or if there is no such newspaper, then in the place nearest thereto in which a newspaper is published :

Notice.

(c) At all general meetings of the company, every shareholder shall be entitled to give one vote for each share then held by him : such votes may be given in person or by proxy - the holder of any such proxy being himself a shareholder : but no shareholder shall be entitled, either in person or by proxy, to vote at any meeting unless he has paid all the calls then payable upon all the shares held by him : all questions proposed for the consideration of the shareholders shall be determined by the majority of votes - the chairman presiding at such meeting having the casting vote in case of an equality of votes :

Vote.

Proxy.

All calls must have been paid.

Majority of votes.

Casting vote.

(d.) Every election of directors shall be by ballot :

Ballot.

(e.) Vacancies occurring in the board of directors may be filled for the remainder of term, by the directors from among the qualified shareholders of the company :

Vacancies how filled.

(f.) The directors shall, from time to time, elect from among themselves a president and, if they see fit, a vice-president of the company; and may also appoint all other officers thereof. 40 V., c. 43, s. 30.

President, vice-president and officers.

34. If, at any time, an election of directors is not made, or does not take effect at the proper time, the company shall not be held to be thereby dissolved ; but such election may take place at any subsequent general meeting of the company duly called for that purpose : and the retiring directors shall continue in office until their successors are elected. 40 V., c. 43, s. 31.

Failure to elect directors, how remedied.

POWERS OF DIRECTORS.

Powers and duties of directors.

35. The directors of the company may administer the affairs of the company in all things, and make or cause to be made for the company, any description of contract which the company may, by law, enter into ; and may, from time to time, make by-laws not contrary to law, or to the letters patent of the company, or to this Act, for the following purposes :—

Stock.

(a.) The regulating of the allotment of stock, the making of calls thereon, the payment thereof, the issue and registration of certificates of stock, the forfeiture of stock for non-payment, the disposal of forfeited stock and of the proceeds thereof, and of the transfer of stock ;

Dividends.

(b.) The declaration and payment of dividends ;

Number, &c., of directors.

(c.) The number of the directors, their term of service, the amount of their stock qualifications, and their remuneration, if any ;

Agents and officers.

(d.) The appointment, functions, duties and removal of all agents, officers and servants of the company, the security to be given by them to the company and their remuneration ;

Meetings.

(e.) The time and place for the holding of the annual meetings of the company, the calling of meetings, regular and special, of the board of directors and of the company, the quorum, the requirements as to proxies, and the procedure in all things at such meetings ;

Penalties.

(f.) The imposition and recovery of all penalties and forfeitures which admit of regulation by by-law ;

General powers.

(g.) The conduct, in all other particulars, of the affairs of the company :

Confirmation of by-laws.

And the directors may, from time to time, repeal, amend or re-enact the same ; but every such by-law, and every repeal, amendment or re-enactment thereof, unless in the meantime confirmed at a general meeting of the company, duly called for that purpose, shall only have force until the next annual meeting of the company, and in default of confirmation thereat, shall, at and from that time only, cease to have force :

Confirmation of by-laws for sale of stock below previous rate, &c.

2. No by-law for the issue, allotment or sale of any portion of the unissued stock at any greater discount or at any less premium than that which has been previously authorized at a general meeting, and no by-law for the remuneration of the president or any director, shall be valid or acted upon until the same has been confirmed at a general meeting. 40 V., c. 43, s. 32, *part*.

Debts to company may be deducted from dividends.

36. The directors may deduct from the dividends payable to any shareholder all such sums of money as are due from him to the company, on account of calls or otherwise. 40 V., c. 43, s. 59.

Issue of bonds, &c., by company.

37. The directors may, when authorized by a by-law for that purpose, passed and approved of by the votes of shareholders, repre-

sending at least two-thirds in value of the subscribed stock of the company represented at a special general meeting duly called for considering the by-law,—

(a.) Borrow money upon the credit of the company and issue bonds, debentures or other securities for any sums borrowed, at such prices as are deemed necessary or expedient ; but no such debentures shall be for a less sum than one hundred dollars ;

Borrowing powers.

(b.) Hypothecate or pledge the real or personal property of the company to secure any sums borrowed by the company ;

Charging property.

But the amount borrowed shall not, at any time, be greater than seventy-five per cent. of the actual paid-up stock of the company ; but the limitation made by this section shall not apply to commercial paper discounted by the company. 40 V., c. 43, s. 85.

Limitation of amount to be borrowed.

Exception.

CALLS.

38. The directors may, from time to time, make such calls upon the shareholders in respect of all moneys unpaid upon their respective shares, as they think fit, at such times and places and in such payments or instalments as the letters patent, or this Act, or the by-laws of the company require or allow. 40 V., c. 43, s. 52.

Calling in of moneys unpaid on shares.

39. A call shall be deemed to have been made at the time when the resolution of the directors authorizing such call was passed ; and if a shareholder fails to pay any call due by him, on or before the day appointed for the payment thereof, he shall be liable to pay interest for the same at the rate of six per cent. per annum, from the day appointed for payment to the time of actual payment thereof. 40 V., c. 43, s. 53.

Interest on calls overdue.

40. The directors may, if they think fit, receive from any shareholder willing to advance the same, all or any part of the amounts due on the shares held by such shareholder, beyond the sums then actually called for ; and upon the moneys so paid in advance, or so much thereof as, from time to time, exceeds the amount of the calls then made upon the shares in respect of which such advance is made, the company may pay interest at such rate, not exceeding eight per cent. per annum, of the shareholder who pays such sum in advance and the directors agree upon. 40 V., c. 43, s. 54.

Payment in advance on shares.

Interest may be allowed.

41. If, after such demand or notice as is prescribed by the letters patent or by the by-laws of the company, any call made upon any share is not paid within such time as, by such letters patent or by the by-laws, is limited in that behalf, the directors, in their discretion, by vote to that effect duly recorded in their minutes, may summarily declare forfeited any shares whereon such payment is not made ; and the same shall thereupon become the property of the company and may be disposed of as, by the by-laws of the company

Forfeiture of shares for non-payment of calls.

Proviso — liability of holders continued.

or otherwise, they prescribe; but, notwithstanding such forfeiture, the holder of such shares at the time of forfeiture shall continue liable to the then creditors of the company for the full amount unpaid on such shares at the time of forfeiture, less any sums which are subsequently received by the company in respect thereof. 40 V., c. 43, s. 55.

Enforcement of payment of calls by action.

42. The directors may, if they see fit, instead of declaring forfeited any share or shares, enforce payment of all calls, and interest thereon, by action in any court of competent jurisdiction; and in such action it shall not be necessary to set forth the special matter, but it shall be sufficient to declare that the defendant is a holder of one share or more, stating the number of shares, and is indebted in the sum of money to which the calls in arrear amount in respect of one call or more, upon one share or more, stating the number of calls and the amount of each call, whereby an action has accrued to the company under this Act; and a certificate under their seal, and purporting to be signed by any officer of the company, to the effect that the defendant is a shareholder, that such call or calls has or have been made, and that so much is due by him and unpaid thereon, shall be received in all courts as *prima facie* evidence thereof. 40 V., c. 43, s. 56.

What only need be alleged and proved.

Certificate to be evidence.

BOOKS OF THE COMPANY.

Book to be kept and what to contain.

43. The company shall cause a book or books to be kept by the Secretary, or by some other officer specially charged with that duty, wherein shall be kept recorded,—

Copy of letters patent, by-laws, &c.

(a.) A copy of the letters patent incorporating the company, and of any supplementary letters patent, and of all by-laws thereof:

Names of shareholders.

(b.) The names, alphabetically arranged, of all persons who are or have been shareholders;

Addresses.

(c.) The address and calling of every such person, while such shareholder:

Number of shares.

(d.) The numbers of shares of stock held by each shareholder:

Amounts paid, &c.

(e.) The amounts paid in and remaining unpaid, respectively, on the stock of each shareholder:

Names, &c., of directors.

(f.) The names, addresses and calling of all persons who are or have been directors of the company, with the several dates at which each became or ceased to be such director:

Register of transfers.

2. A book called the register of transfers shall be provided, and in such book shall be entered the particulars of every transfer of shares in the capital of the company. 40 V., c. 43, s. 36.

Books to be open for inspection and taking extracts therefrom.

44. Such books shall, during reasonable business hours of every day, except Sundays and holidays, be kept open for the inspection of shareholders and creditors of the company, and their personal repre-

sentatives, at the head office or chief place of business of the company; and every such shareholder, creditor or personal representative may make extracts therefrom. 40 V., c. 43, s. 37.

45. Every director, officer or servant of the company, who knowingly makes or assists in making any untrue entry in any such book, or who refuses or wilfully neglects to make any proper entry therein, or to exhibit the same, or to allow the same to be inspected and extracts to be taken therefrom, is guilty of a misdemeanor. 40 V., c. 43, s. 40.

Penalty for false entries.

46. Every company which neglects to keep such book or books as aforesaid, shall forfeit its corporate rights. 40 V., c. 43, s. 38.

Forfeiture for neglect.

47. Such books shall be *prima facie* evidence of all facts purporting to be thereby stated, in any action, suit or proceeding against the company or against any shareholder. 40 V., c. 43, s. 39.

Books to be *prima facie* evidence.

TRANSFER OF SHARES.

48. No transfer of shares, unless made by sale under execution, or under the decree, order or judgment of a court of competent jurisdiction, shall be valid for any purpose whatever, until entry thereof is duly made in the register of transfers, except for the purpose of exhibiting the rights of the parties thereto towards each other, and of rendering the transferee liable, in the meantime, jointly and severally, with the transferer, to the company and its creditors. 40 V., c. 43, s. 41.

Transfer of shares valid only after entry.

49. No transfer of shares, whereof the whole amount has not been paid in, shall be made without the consent of the directors; and whenever any transfer of shares not fully paid in has been made with such consent, to a person who is not apparently of sufficient means to fully pay up such shares, the directors shall be jointly and severally liable to the creditors of the company, in the same manner and to the same extent as the transferring shareholder, but for such transfer, would have been; but if any director present when any such transfer is allowed does forthwith, or if any director then absent does within twenty-four hours after he becomes aware thereof and is able so to do, enter on the minute book of the board of directors his protest against the same, and within eight days thereafter publishes such protest in at least one newspaper, published at the place in which the head office or chief place of business of the company is situated, or if there is no newspaper there published, then in the newspaper published nearest thereto, such director may thereby, and not otherwise, exonerate himself from such liability. 40 V., c. 43, s. 42.

Liabilities of directors as regards transfer of shares in certain cases.

How only a director may avoid liability.

50. Whenever the interest in any shares of the capital stock of the company is transmitted by the death of any shareholder or otherwise, or whenever the ownership of or legal right of possession in any shares changes by any lawful means, other than by transfer according

Provision when shares are transmitted otherwise than by transfer.

Order of court may
be obtained on
application.

to the provisions of this Act, and the directors of the company entertain reasonable doubts as to the legality of any claim to such shares, the company may make and file, in one of the superior courts in the Province in which the head office of the company is situated, a declaration and petition in writing, addressed to the justices of the court, setting forth the facts and the number of shares previously belonging to the person in whose name such shares stand in the books of the company, and praying for an order or judgment adjudicating and awarding the said shares to the person or persons legally entitled to the same,—by which order or judgment the company shall be guided and held fully harmless and indemnified and released from every other claim to the said shares or arising in respect thereof:

Notice of application.

2. Notice of the intention to present such petition shall be given to the person claiming such shares, or to the attorney of such person duly authorized for the purpose, who shall, upon the filing of such petition, establish his right to the shares referred to in such petition; and the time to plead and all other proceedings in such cases shall be the same as those observed in analogous cases before the said superior courts: Provided always, that the costs and expenses of procuring such order or judgment shall be paid by the person or persons to whom such shares are declared lawfully to belong; and that such shares shall not be transferred in the books of the company until such costs and expenses are paid,—saving the recourse of such person against any person contesting his right to such shares. 40 V., c. 43, s. 43.

Provided as to costs

Restriction as to
transfer.

51. No share shall be transferable until all previous calls thereon are fully paid in. 40 V., c. 43, s. 44.

As to transfer by
debtor to the
company.

52. The directors may decline to register any transfer of shares belonging to any shareholder who is indebted to the company. 40 V., c. 43, s. 45.

Transfer by personal
representative.

53. Any transfer of the shares or other interest of a deceased shareholder, made by his personal representative, shall, notwithstanding such personal representative is not himself a shareholder, be of the same validity as if he had been a shareholder at the time of his execution of the instrument of transfer. 40 V., c. 43, s. 46.

LIABILITY OF SHAREHOLDERS.

Liability limited to
amount unpaid on
stock.

54. The shareholders of the company shall not, as such, be responsible for any act, default or liability of the company, or for any engagement, claim, payment, loss, injury, transaction, matter or thing relating to or connected with the company, beyond the amount unpaid on their respective shares in the capital stock thereof. 40 V., c. 43, s. 48.

55. Every shareholder, until the whole amount of his shares has been paid up, shall be individually liable to the creditors of the company to an amount equal to that not paid up thereon; but he shall not be liable to an action therefor by any creditor until an execution at the suit of such creditor against the company has been returned unsatisfied in whole or in part; and the amount due on such execution, not exceeding the amount unpaid on his shares, as aforesaid, shall be the amount recoverable, with costs from such shareholders, and any amount, so recoverable, if paid by the shareholder, shall be considered as paid on his shares. 40 V., c. 43, s. 47.

Liability of shareholders

When to accrue.

56. No person, holding stock in the company as an executor, administrator, tutor, curator, guardian or trustee, shall be personally subject to liability as a shareholder: but the estate and funds in the hands of such person shall be liable in like manner, and to the same extent, as the testator or intestate, or the minor, ward or interdicted person, or the person interested in such trust fund would be, if living, and competent to act and holding such stock in his own name; and no person holding such stock as collateral security shall be personally subject to such liability, but the person pledging such stock shall be considered as holding the same and shall be liable as a shareholder accordingly. 40 V., c. 43, s. 49.

Trustees, &c., not personally liable.

57. Every such executor, administrator, curator, guardian or trustee shall represent the stock held by him, at all meetings of the company, and may vote as a shareholder; and every person who pledges his stock may represent the same at all such meetings and, notwithstanding such pledge, vote as a shareholder. 40 V., c. 43, s. 50.

But entitled to vote.

LIABILITY OF DIRECTORS AND OFFICERS.

58. If the directors of the company declare and pay any dividend when the company is insolvent, or any dividend, the payment of which renders the company insolvent, or impairs the capital stock thereof, they shall be jointly and severally liable, as well to the company as to the individual shareholders and creditors thereof, for all the debts of the company then existing, and for all thereafter contracted during their continuance in office, respectively; but if any director present when such dividend is declared does forthwith, or if any director then absent does, within twenty-four hours after he becomes aware thereof and able so to do, enter on the minutes of the board of directors his protest against the same, and within eight days thereafter publishes such protest in at least one newspaper published at the place in which the head office or chief place of business of the company is situated, or if there is no newspaper there published, then in the newspaper published nearest thereto, such director may thereby, and not otherwise, exonerate himself from such liability. 40 V., c. 43, s. 67.

Liability of directors declaring a dividend when company is insolvent.

How directors may avoid such liability.

No loan by company to shareholders, except by loan companies: liability of directors.

59. No loan shall be made by the company to any shareholder; if such loan is made, all directors and other officers of the company making the same, or in anywise assenting thereto, shall be jointly and severally liable for the amount of such loan, with interest, to the company,—and also to the creditors of the company for all debts of the company then existing, or contracted between the time of the making of such loan and that of the repayment thereof; but the provisions of this section shall not apply to loan companies. 40 V., c. 43, s. 68.

Liability of directors for wages.

60. The directors of the company shall be jointly and severally liable to the clerks, laborers, servants and apprentices thereof, for all debts not exceeding six months' wages due for service performed for the company whilst they are such directors respectively; but no director shall be liable to an action therefor, unless the company is sued therefor within one year after the debt becomes due, nor unless such director is sued therefor within one year from the time when he ceased to be such director, nor unless an execution against the company in respect of such debt is returned unsatisfied in whole or in part; and the amount unsatisfied on such execution shall be the amount recoverable with costs from the directors. 40 V., c. 43, s. 69.

Limitation of suits, &c.

DOMICILE—SERVICE OF PROCESS, ETC.

Offices and agencies of the company in Canada.

61. The company shall, at all times, have an office in the city or town in which its chief place of business is situate, which shall be the legal domicile of the company in Canada; and notice of the situation of such office and of any change therein shall be published in the *Canada Gazette*; and the company may establish such other offices and agencies elsewhere in Canada, as it deems expedient. 40 V., c. 43, s. 60.

Service of process on the company.

62. Any summons, notice, order or other process or document required to be served upon the company, may be served by leaving the same at the said office in the city or town in which its chief place of business is situate, with any adult person in the employ of the company, or on the president or secretary of the company, or by leaving the same at the domicile of either of them, or with any adult person of his family or in his employ; or if the company has no known office or chief place of business, and has no known president or secretary, the court may order such publication as it deems requisite, to be made in the premises; and such publication shall be held to be due service upon the company. 40 V., c. 43, s. 61.

Use of common seal dissolved with in cer. cases.

63. Any summons, notice, order or proceeding requiring authentication by the company may be signed by any director, manager or other authorized officer of the company, and need not be under the seal of the company. 40 V., c. 43, s. 62.

Service of notice upon members.

64. Notices to be served by the company upon the shareholders may be served either personally or by sending them through

the post, in registered letters, addressed to the shareholders at their places of abode as they appear on the books of the company. 40 V., c. 43, s. 63.

65. A notice or other document served by post by the company on a shareholder, shall be held to be served at the time when the registered letter containing it would be delivered in the ordinary course of post; and to prove the fact and time of service it shall be sufficient to prove that such letter was properly addressed and registered, and was put into the post office, and the time when it was put in, and the time requisite for its delivery in the ordinary course of post. 40 V., c. 43, s. 64.

Service of notice by post.

66. A copy of any by-law of the company, under its seal, and purporting to be signed by any officer of the company, shall be received as against any shareholder of the company as *prima facie* evidence of such by-law in all courts in Canada. 40 V., c. 43, s. 33.

Evidence of by-laws.

67. Any description of action may be prosecuted and maintained between the company and any shareholder thereof; and no shareholder shall, by reason of being a shareholder, be incompetent as a witness therein. 40 V., c. 43, s. 70.

Actions between company and shareholders.

68. In any action or other legal proceeding, it shall not be requisite to set forth the mode of incorporation of the company, otherwise than by mention of it under its corporate name, as incorporated by virtue of letters patent—or of letters patent and supplementary letters patent, as the case may be—under this Act; and the notice in the *Canada Gazette*, of the issue of such letters patent or supplementary letters patent, shall be *prima facie* proof of all things therein contained; and on production of the letters patent or supplementary letters patent, or of any exemplification or copy thereof under the Great Seal, the fact of such notice shall be presumed; and, except in any proceeding by *scire facias* or otherwise for the purpose of rescinding or annulling the same, the letters patent or supplementary letters patent, or any exemplification or copy thereof under the Great Seal, shall be conclusive proof of every matter and thing therein set forth. 40 V., c. 43, s. 71.

Mode of incorporation, &c., how to be set forth in legal proceedings.

Proof of incorporation.

PROVISIONS AS TO EXISTING COMPANIES.

69. Any company heretofore incorporated for any purpose or object for which letters patent may be issued under this Act, whether under a special or a general Act, and now being a subsisting and valid corporation, may apply for letters patent under this Act, and the Governor-in-Council, upon proof that notice of the application has been inserted for four weeks in the *Canada Gazette*, may direct the issue of letters patent incorporating the shareholders of the said company as a company under this Act; and thereupon all the rights or obligations of the former company shall be transferred to the new company, and all proceedings may be continued or commenced by

Existing companies may apply for charters under this Act.

Effect of such charters.

or against the new company; that might have been continued or commenced by or against the old company; and it shall not be necessary in any such letters patent to set out the names of the shareholders; and after the issue of the letters patent the company shall be governed in all respects by the provisions of this Act, except that the liability of the shareholders to creditors of the old company shall remain as at the time of the issue of the letters patent. 40 V., c. 43, s. 80.

Subsisting companies may apply for charters with extended powers.

70. If a subsisting company applies for the issue of letters patent under this Act, the Governor-in-Council may, by the letters patent, extend the powers of the company to such other objects for which letters patent may be issued under this Act as the applicant desires and as the Governor-in-Council thinks fit to include in the letters patent, and which have been mentioned in the notice of the application for the same, in the *Canada Gazette*; and the Governor-in-Council may, in the said letters patent, name the first directors of the new company; and the letters patent may be issued to the new company by the name of the old company or by another name. 40 V., c. 43, s. 81.

Provisions touching supplementary letters patent to apply.

71. All the provisions of this Act in relation to the obtaining of supplementary letters patent by companies incorporated hereunder shall, so far as applicable, apply and extend to applications for letters patent under the two sections next preceding. 40 V., c. 43, s. 82.

GENERAL PROVISIONS.

Agency in any city or town in the United Kingdom.

72. The company may have an agency or agencies in any city or town in the United Kingdom. 40 V., c. 43, s. 86.

Dividend not to impair capital.

73. No dividend shall be declared which will impair the capital of the company. 40 V., c. 43, s. 58.

Special general meeting.

74. Shareholders who hold one-fourth part in value of the subscribed stock of the company may, at any time, call a special meeting thereof for the transaction of any business specified in such written requisition and notice as they make and issue to that effect. 40 V., c. 43, s. 32, *part*.

Every deed which any person, lawfully empowered in that behalf by the company as its attorney, signs on behalf of the company, and seals with his seal, shall be binding on the company and shall have the same effect as if it was under the seal of the company. 40 V., c. 43, s. 65.

75. Every deed which any person, lawfully empowered in that behalf by the company as its attorney, signs on behalf of the company, and seals with his seal, shall be binding on the company and shall have the same effect as if it was under the seal of the company. 40 V., c. 43, s. 65.

Every contract, agreement, engagement or bargain made, and every bill of exchange drawn, accepted or indorsed, and every promissory note and cheque made, drawn or indorsed on behalf of the company, by any agent, officer or servant of the company, in general accordance with his powers as such under the by-laws of the

76. Every contract, agreement, engagement or bargain made, and every bill of exchange drawn, accepted or indorsed, and every promissory note and cheque made, drawn or indorsed on behalf of the company, by any agent, officer or servant of the company, in general accordance with his powers as such under the by-laws of the

company, shall be binding upon the company; and in no case shall it be necessary to have the seal of the company affixed to any such contract, agreement, engagement, bargain, bill of exchange, promissory note or cheque, or to prove that the same was made, drawn, accepted or indorsed, as the case may be, in pursuance of any by-law or special vote or order: and the person so acting as agent, officer or servant of the company shall not be thereby subjected individually to any liability whatsoever to any third person therefor: Provided always, that nothing in this Act shall be construed to authorize the company to issue any note payable to the bearer thereof, or any promissory note intended to be circulated as money, or as the note of a bank, or to engage in the business of banking or insurance. 40 V., c. 43, s. 66.

No need of seal
by law.

Provided as to bank
notes.

77. Proof of any matter which is necessary to be made under this Act may be made by oath or affirmation, or by solemn declaration, before any justice of the peace, or any commissioner for taking affidavits, to be used in any of the courts in any of the Provinces of Canada, or any notary public, each of whom is hereby authorized and empowered to administer oaths and receive affidavits and declarations for that purpose. 40 V., c. 43, s. 76.

Proof may be by
declaration or affi-
davit.

78. The provisions of this Act relating to matters preliminary to the issue of the letters patent or supplementary letters patent shall be deemed directory only, and no letters patent or supplementary letters patent issued under this Act shall be held void or voidable on account of any irregularity in any notice prescribed by this Act, or on account of the insufficiency or absence of any such notice, or on account of any irregularity in respect of any other matter preliminary to the issue of the letters patent or supplementary letters patent. 40 V., c. 43, s. 77.

Certain irregularities
not to invalidate let-
ters patent.

79. The company shall keep painted or affixed, its name, with the word "limited" after the name, on the outside of every office or place in which the business of the company is carried on, in a conspicuous position, in letters easily legible, and shall have its name, with the said word after it, engraved in legible characters on its seal, and shall have its name, with the said word after it, mentioned in legible characters in all notices, advertisements and other official publications of the company, and in all bills of exchange, promissory notes, indorsements, cheques, and orders for money or goods, purporting to be signed by or on behalf of such company, and in all bills of parcels, invoices and receipts of the company:

Word "limited" to
be inserted after
name of company on
all notices, &c.

2. Every company which does not keep painted or affixed, its name, with the word "limited" after it, in manner directed by this Act, shall incur a penalty of twenty dollars for every day during which such name is not so kept painted or affixed:

Penalty for violation
of preceding section.

Penalty for permitting violation.

3. Every director and manager of the company, who knowingly and wilfully authorizes or permits such default, shall be liable to the like penalty :

Penalty on directors or officers using of seal without "limited" on it.

4. Every director, manager or officer of the company, and every person on its behalf, who uses or authorizes the use of any seal purporting to be a seal of the company, whereon its name, with the said word "limited" after it, is not so engraven as aforesaid, or who issues or authorizes the issue of any notice, advertisement or other official publication of such company, or who signs or authorizes to be signed on behalf of such company any bill of exchange, promissory note, indorsement, cheque, order for money or goods, or who issues or authorizes to be issued any bill of parcels, invoice or receipt of the company, wherein its name, with the said word after it, is not mentioned in manner aforesaid, shall incur a penalty of two hundred dollars, and shall also be personally liable to the holder of any such bill of exchange, promissory note, cheque, or order for money or goods, for the amount thereof, unless the same is duly paid by the company. 40 V., c. 43, ss. 78 and 79.

Liability in addition.

Prospectus, &c., to specify certain contracts entered into by company, or be deemed fraudulent.

80. Every prospectus of the company, and every notice inviting persons to subscribe for shares in the company, shall specify the dates and the names of the persons to any contract entered into by the company or the promoters, directors or trustees thereof, before the issue of such prospectus or notice, whether subject to adoption by the directors or the company or otherwise ; and every prospectus or notice which does not specify the same shall, with respect to any person who takes shares in the company on the faith of such prospectus or notice, and who has not had notice of such contract, be deemed fraudulent on the part of the promoters, directors and officers of the company who knowingly issue such prospectus or notice. 40 V., c. 43, s. 84.

Company not to be liable, in respect of trusts.

81. The company shall not be bound to see to the execution of any trust, whether express, implied or constructive, in respect of any share ; and the receipt of the shareholder in whose name the same stands in the books of the company, shall be a valid and binding discharge to the company for any dividend or money payable in respect of such share, and whether or not notice of such trust has been given to the company ; and the company shall not be bound to see to the application of the money paid upon such receipt. 40 V., c. 43, s. 51.

Directors indemnified in suits, &c., against the company

82. Every director of the company, and his heirs, executors and administrators, and estate and effects, respectively, may, with the consent of the company, given at any general meeting thereof, from time to time, and at all times, be indemnified and saved harmless out of the funds of the company, from and against all costs, charges and expenses whatsoever which he sustains or incurs in or about any

action, suit or proceeding which is brought, commenced or prosecuted against him, for or in respect of any act, deed, matter or thing whatsoever, made, done or permitted by him, in or about the execution of the duties of his office; and also from and against all other costs, charges and expenses which he sustains or incurs, in or about, or in relation to the affairs thereof,—except such costs, charges or expenses as are occasioned by his own wilful neglect or default. 40 V., c. 43, s. 57.

Except by their own neglect or default.

83. The charter of the company shall be forfeited by non-user during three consecutive years, or if the company does not go into actual operation within three years after it is granted. 40 V., c. 43, s. 72.

Forfeiture of charter for non-user.

84. The Governor-in-Council may, from time to time, establish, alter and regulate the tariff of the fees to be paid on application for letters patent and supplementary letters patent under this Act, may designate the department or departments through which the issue thereof shall take place, and may prescribe the forms of proceeding and registration in respect thereof, and all other matters requisite for carrying out the objects of this Act:

Fees on letters patent, &c., to be fixed by Governor-in-Council.

2. The amount of the fees may be varied according to the nature of the company, the amount of the capital stock and other particulars as the Governor-in-Council thinks fit:

Amount of fees may be varied.

3. No steps shall be taken in any department towards the issue of any letters patent or supplementary letters patent under this Act, until after all fees therefor are duly paid. 40 V., c. 43, s. 74.

Must be paid before action is taken.

85. The directors of every Company shall lay before its shareholders a full printed statement of the affairs and financial position of the company at or before each general meeting of the company for the election of directors. 40 V., c. 43, s. 87.

Full statement of affairs at each meeting for elections.

LOAN COMPANIES.

86. The following sections of this Act apply to loan companies only. 40 V., c. 43, *Sub-title relating to loan companies.*

Sections relating to loan companies.

87. The capital stock of every loan company shall be divided into shares of one hundred dollars each. 40 V., c. 43, s. 88.

Shares.

88. Every loan company may, from time to time,—

Powers.

(a.) Lend and advance money, by way of loan or otherwise, for such periods as it deems expedient, on the security of real estate, or on the public securities of Canada, or of any of the Provinces thereof, or on the security of debentures of any municipal or other

Making loans, and on what securities.

corporation, issued under or in pursuance of any statutory authority, and upon such terms and conditions as to the company seem satisfactory or expedient ;

Acquisition and sale
of securities.

(b.) Acquire, by purchase or otherwise, any security upon which it is authorized to lend or advance money, and re-sell the same as it deems advisable ;

Enforcing repay-
ment.

(c.) Do all acts that are necessary for advancing such sums of money, and for receiving and obtaining repayment thereof, and for compelling the payment of all interest accruing from such sums so advanced, and the observance and fulfilment of any conditions annexed to such advance, and for enforcing the forfeiture of any term or property consequent on the non-fulfilment of such conditions, or of conditions entered into for delay of payment ;

Execution of deeds
and discharges.

(d.) Give receipts, acquittances and discharges, either absolutely and wholly or partially, and execute such deeds, assignments or other instruments as are necessary for carrying any such purchase or re-sale into effect :

Capital may be em-
ployed for such pur-
poses.

And for every and any of the foregoing purposes, and for every and any other purpose in this Act mentioned or referred to, the company may lay out and apply the capital and property, for the time being, of the company, or any part thereof, or any of the moneys authorized to be hereafter raised or received by the company in addition to its capital for the time being, and may authorize and exercise all acts and powers whatsoever, in the opinion of the directors of the company requisite or expedient to be done or exercised in relation thereto. 40 V., c. 43, s. 89.

Company may act as
agents and lend
money, either on
their own behalf or
as agents for others.

89. The company may act as an agency association for the interest and on behalf of others who intrust it with money for that purpose, and may, either in the name of the company or of such others, lend and advance money to any person upon such securities as are mentioned in the next preceding section, or to any body corporate, or to any municipal or other authority, or to any board or body of trustees or commissioners, upon such terms and upon such security as to the company appear satisfactory, and may purchase and acquire any securities on which they are authorized to advance money, and again re-sell the same :

Enforcement of
conditions.

2. The conditions and terms of such loans and advances, and of such purchases and re-sales, may be enforced by the company for its benefit, and for the benefit of the person or persons or corporation for whom such money has been lent and advanced, or such purchase and re-sale made ; and the company shall have the same power in respect of such loans, advances, purchases and sales as are conferred upon it in respect of loans, advances, purchases and sales made from its own capital :

3. The company may also guarantee the repayment of the principal or the payment of the interest, or both, of any moneys intrusted to the company for investment :

Repayment may be guaranteed.

4. The company may, for every or any of the foregoing purposes, lay out and employ the capital and property, for the time being, of the company, or any part of the moneys authorized to be raised by the company in addition to its capital for the time being, or any moneys so intrusted to it as aforesaid, and may do, assent to, and exercise all acts whatsoever, in the opinion of the directors of the company for the time being requisite or expedient to be done in regard thereto :

Capital and property may be employed.

5. All moneys of which the repayment of the principal or payment of interest is guaranteed by the company, shall, for the purposes of this Act, be deemed to be money borrowed by the company. 40 V., c. 43, s. 90.

Money of which repayment is guaranteed to be deemed borrowed.

90. The directors may, from time to time, with the consent of the shareholders, obtained at any general meeting, borrow money on behalf of the company, at such rates of interest as are lawful under this Act, and upon such terms as they, from time to time, think proper ; and the directors may, for that purpose, execute any debentures, mortgages, bonds or other instruments, under the seal of the company, for sums of not less than one hundred dollars or twenty pounds sterling each, or may assign, transfer or deposit, by way of equitable mortgage or otherwise, for the sums so borrowed, any of the documents of title, deeds, muniments, securities or property of the company, and either with or without power of sale or other special provisions, as the directors deem expedient. 40 V., c. 43, s. 91.

Borrowing powers of company and security to be given by it.

Mortgages, bonds, &c. may be assigned.

91. The directors may, from time to time, with the consent of the shareholders obtained at any general meeting, receive money on behalf of the company on deposit for such periods and at such rates of interest as are agreed upon ; and money so received on deposit shall, for the purposes of this Act, be deemed to be money borrowed by the company. 40 V., c. 43, s. 92.

Company may receive money on deposit.

To be deemed borrowed.

92. The company shall not borrow money unless at least one hundred thousand dollars of its subscribed capital stock has been paid up :

Sum to be paid up before borrowing.

2. The company shall not borrow money unless at least twenty per cent. of its subscribed capital stock has been paid up :

20 per cent. to be paid up before borrowing.

3. If the company borrows money by way of deposit, under the next preceding section, the aggregate amount of the sums so borrowed, by way of deposit, shall not at any time, whether the company borrows solely by way of deposit or also in other ways,

Amount borrowed by deposit limited.

exceed the aggregate amount of its paid up capital, and of its other cash actually in hand, or deposited by it in any chartered bank or banks in Canada:

If the company borrows solely on debentures, &c.

4. If the company borrows money solely on debentures or other securities, and by guarantee as hereinbefore authorized and not by way of deposit, under the next preceding section, the aggregate amount of the sums so borrowed shall not, at any time, exceed four times the amount of its paid up and unimpaired capital, or the amount of its subscribed capital, at the option of the company :

If it borrows in both ways.

5. If the company borrows money both by way of debentures or other securities, or by guarantee, as aforesaid, and also by way of deposit, the aggregate amount of money so borrowed shall not, at any time, exceed the amount of the principal moneys remaining unpaid on securities then held by the company, nor shall it exceed double the amount of the then actually paid up and unimpaired capital of the company ; but the amount of cash then actually in the hands of the company, or deposited by it in any chartered bank, or both, shall be deducted from the aggregate amount of the liabilities which the company has then incurred, as above mentioned, in calculating such aggregate amount for the purposes of this sub-section :

Proviso : as to cash in hand.

Proviso : as to companies now incorporated.

6. In the event of any company now incorporated, availing itself of the provisions of this Act for the purpose of enlarging its powers to borrow money by debentures, nothing herein contained shall be construed as affecting or in any wise impairing the right of the holders of debentures issued by such company. 40 V., c. 43, s. 93.

Not to purchase stock in other companies.

93. The company shall not use any of its funds in the purchase of stock in any other incorporated company. 40 V., c. 43, s. 94.

Power to hold real estate.

94. The company may hold such real estate as is necessary for the transaction of its business, not exceeding in yearly value the sum of ten thousand dollars, or such real estate as, being mortgaged or hypothecated to it, is acquired by it for the protection of its investments,—and may, from time to time, sell, mortgage, lease or otherwise dispose of the same ; but the company shall sell any real estate acquired in satisfaction of any debt within seven years after it has been so acquired, otherwise it shall revert to the previous owner, or to his heirs or assigns. 40 V., c. 43, s. 95.

Proviso : as to such estate not held for company's own use.

Company may charge commission.

95. The company, when acting as an agency association, may charge such commission to the lender or borrower, or both, upon the moneys invested, as is agreed upon, or as is reasonable in that behalf. 40 V., c. 43, s. 96.

What interest company may recover.

96. The company may stipulate for, take, reserve and exact any rate of interest or discount that may be lawfully taken by individuals, or, in the Province of Quebec, by incorporated companies under like circumstances, and may also receive an annual payment

on any loan by way of a sinking fund for the gradual extinction of such loan, upon such terms and in such manner as are regulated by the by-laws of the company: Provided always, that no fine or penalty shall be stipulated for, taken, reserved or exacted in respect of arrears of principal or interest which has the effect of increasing the charge in respect of arrears beyond the rate of interest or discount on the loan. 40 V., c. 43, s. 97.

Proviso: as to fines.

97. A register of all securities held by the company shall be kept; and within fourteen days after the taking of any security, an entry or memorandum specifying the nature and amount of such security, and the names of the parties thereto, with their proper additions, shall be made in such register. 40 V., c. 43, s. 98.

Register of securities.

98. The company may unite, amalgamate and consolidate its stock, property, business and franchises with those of any other company or society incorporated or chartered for a like purpose, or with those of any building, savings or loan company or society heretofore or hereafter incorporated or chartered, or may purchase and acquire the assets of any such company or society, and may enter into all contracts and agreements therewith necessary to such union, amalgamation, consolidation, purchase or acquisition. 40 V., c. 43, s. 99.

Company may unite with any other like company.

99. The directors of the company, and of any other such company or society, may enter into a joint agreement under the corporate seal of each of the said corporations, for the union, amalgamation or consolidation of the said corporations, or for the purchase and acquisition by the company of the assets of any other such company or society,—prescribing the terms and conditions thereof, the mode of carrying the same into effect, the name of the new corporation, the number of the directors and other officers thereof, and who shall be the first directors and officers thereof, the manner of converting the capital stock of each of the said corporations into that of the new corporation, with such other details as they deem necessary to perfect such new organization, and the union, amalgamation and consolidation of the said corporations, and the subsequent management and working thereof, or the terms and mode of payment for the assets of any other such company or society purchased or acquired by the company. 40 V., c. 43, s. 100.

Agreement for such union—how made, &c., and what to provide.

100. Such agreement shall be submitted to the shareholders of each of the said corporations at a meeting thereof to be held separately, for the purpose of taking the same into consideration:

Approval of shareholders.

2. Notice of the time and place of such meetings, and the objects thereof, shall be given by written or printed notices, addressed to each shareholder of the said corporations respectively, at his last known post office address or place of residence, and also by a general notice in the newspaper published at the chief place of

Notice of meeting for such purpose.

business of such corporations respectively, once a week, for six successive weeks :

Proceedings at meeting.

3. At such meetings of shareholders such agreement shall be considered, and a vote by ballot shall be taken for the adoption or rejection of the same—each share entitling the holder thereof to one vote in person or by proxy ; and if two-thirds of the votes of all the shareholders of such corporations are given for the adoption of such agreement, that fact shall be certified upon the agreement by the secretary of each of such corporations, under the corporate seal thereof :

And if the agreement is adopted.

4. If the agreement is so adopted at the respective meetings of the shareholders of each of the said corporations, the agreement so adopted and the said certificates thereon shall be filed in the office of the Secretary of State ; and the said agreement shall, from thenceforth, be taken and deemed to be the agreement and act of union, amalgamation and consolidation of the said corporations, or the agreement and deed of purchase and acquisition by the company of the assets of such company so selling, as the case may be :

Copy of agreement to be evidence.

5. A copy of such agreement so filed, and of the certificates thereon properly certified, shall be evidence of the existence of such new corporation :

Letters patent may issue to the new company.

6. Due proof of the foregoing facts shall be laid before the Governor-in-Council, and, if deemed expedient by the Governor-in-Council, letters patent shall be issued and notice thereof duly published by the Secretary of State in the *Canada Gazette*. 40 V., c. 43, s. 101.

Effect of the agreement when effected.

101. Upon the completion and perfection of the said agreement and act of consolidation, as provided in the next preceding section, the several corporations or societies, parties thereto, shall be deemed and taken to be consolidated, and to form one corporation, by the name in the said agreement provided, with a common seal, and shall possess all the rights, privileges and franchises of each of such corporations. 40 V., c. 43, s. 102.

Business and rights of both companies vested in new company.

102. Upon the consummation of such consolidation as aforesaid, all and singular the business, property, real and personal, and all rights and incidents appurtenant thereto, all stock, mortgages or other securities, subscriptions and other debts due on whatever account, and other things in action belonging to such corporations or either of them, shall be taken and deemed to be transferred to and vested in such new corporation without further act or deed : Provided, however, that all rights of creditors and liens, upon the property of either of such corporations shall be unimpaired by such consolidation, and that all debts, liabilities and duties of either of the said corporations shall thenceforth attach to the new corporation,

Provido : saving rights of third parties.

and may be enforced against it to the same extent as if the said debts, liabilities and duties had been incurred or contracted by it; and that no action or proceeding, legal or equitable, by or against the said corporations so consolidated, or either of them, shall abate or be affected by such consolidation, but for all the purposes of such action or proceeding such corporation may be deemed still to exist, or the new corporation may be substituted in such action or proceeding in the place thereof. 40 V., c. 43, s. 103.

103. The company shall transmit, on or before the first day of March in each year, to the Minister of Finance and Receiver-General, a statement in duplicate, to the thirty-first day of December inclusive of the previous year, verified by the oath of the president or vice-president and the manager, setting out the capital stock of the company, and the proportion thereof paid up, the assets and liabilities of the company, the amount and nature of the investments made by the company, both on its own behalf and on behalf of others, and the average rate of interest derived therefrom—distinguishing the classes of securities, and also the extent and value of the lands held by it, and such other details as to the nature and extent of the business of the company and the Minister of Finance and Receiver-General requires, and in such form and with such details as he, from time to time, requires and prescribes; but the company shall, in no case, be bound to disclose the name or private affairs of any person who has dealings with it. 40 V., c. 43, s. 104.

Annual statement to Minister of Finance, and what it must show.

Proviso: as to private matters.

SCHEDULE.

FORM A.

Public notice is hereby given that under "*The Companies Act*" letters patent have been issued under the Great Seal of Canada, bearing date the _____ day of _____ incorporating [here state names, address and calling of each corporator named in the letters patent], for the purpose of [here state the undertaking of the company, as set forth in the letters patent], by the name of [here state the name of the Company as in the letters patent] with a total capital stock of _____ dollars divided into _____ shares of _____ dollars.

Dated at the office of the Secretary of State of Canada, this _____ day of _____ 19

A. B.,

Secretary.

FORM B.

Public notice is hereby given, that under "*The Companies Act*" supplementary letters patent have been issued under the Great Seal of Canada, bearing date the _____ day of _____, whereby the undertaking of the Company has been extended to include [*here set out the other purposes or objects mentioned in the supplementary letters patent*].

Dated at the office of the Secretary of State of Canada, this _____ day of _____ 19____

40 V., c. 43, sch. C.

A.B.
Secretary.

FORM C.

Public notice is hereby given, that under "*The Companies Act*" supplementary letters patent have been issued under the Great Seal of Canada, bearing date the _____ day of _____, whereby the total capital stock of [*here state the name of the Company*] is increased or reduced, as the case may be, from _____ dollars to _____ dollars.

Dated at the office of the Secretary of State of Canada, this _____ day of _____ 19____

40 V., c. 43, sch. A.

A.B.,
Secretary.

50-51 VICTORIA.

CHAPTER 20.

AN ACT TO AMEND "THE COMPANIES ACT."

[Assented to 23rd June, 1887.]

Preamble.

HER Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows :—

Application of Act.
R.S.C., c. 119.

1. The following provisions shall apply only to loan companies, as defined by "*The Companies Act*" and shall be read and interpreted in conjunction with the said Act.

Debenture stock may
be issued.

2. The directors may, from time to time, with the consent of a majority of the shareholders present in person or represented by proxy at a meeting called for such purpose, issue debenture stock, which shall be treated and considered as a part of the regular debenture debt authorized by section ninety of the said Act, in such

amounts and manner, on such terms and bearing such rate of interest as the directors from time to time think proper, but subject to the limitations in the said Act provided, so that the amount received as money deposits and borrowed on the security of debentures, mortgages, bonds or other instruments, or debenture stock, shall not in the whole exceed the aggregate amount fixed by the said Act as the authorized limit of the borrowing powers of the Company.

Subject to certain limitations.

3. The debenture stock to be issued under the authority of this Act shall rank equally with the debentures issued, or to be issued, by the Company, and the holders thereof shall not be liable or answerable for any debts or liabilities of the Company.

Ranking of debenture stock.

4. The Company shall cause entries of the debenture stock from time to time created, to be made in a register to be kept for that purpose at their head office, wherein they shall enter the names and addresses of the several persons and co-partners from time to time entitled to the debenture stock, with the respective amounts of the stock to which they are respectively entitled; and the register shall be accessible for inspection and perusal at all reasonable times to every debenture holder, mortgagee, bondholder, debenture stockholder, and shareholder of the Company, without the payment of any fee or charge.

Registration of such stock.

Access to register.

5. All transfers of the debenture stock of the Company shall be registered at the head office of the Company; but the Company may have transfer books of such debenture stock in Great Britain and Ireland, in which transfers of the said stock may be made, but all such transfers shall be entered in the book to be kept at the head office.

Registration of transfers.

6. The Company shall deliver to every holder of debenture stock a certificate stating the amount of the debenture stock held by him, the rate of interest payable thereon; and all regulations and provisions for the time being applicable to certificates of shares in the capital stock of the Company shall apply, *mutatis mutandis*, to certificates of debenture stock.

Certificates to be delivered.

7. Debenture stock shall not entitle the holders thereof to be present or to vote at any meeting of the Company, or confer any qualification, but shall, in all respects not otherwise by or under this Act or "*The Companies Act*" provided for, be considered as entitling the holders to the rights and powers of mortgagees of the undertaking, except the right to require re-payment of the principal money paid up in respect of the debenture stock.

What rights only holders shall possess.

8. The Company may, from time to time, purchase in the open market and redeem any portion or portions of the debenture stock representing moneys, which the directors, by a resolution duly made, determine not to be required for the business of the Company; but

Redemption of debenture stock.

Borrowing powers
not affected.

such purchase, paying off or redemption shall not in any way, extend, limit or prejudice the exercise of the borrowing powers of the Company under this Act or "*The Companies Act*."

Existing companies
may avail themselves
of this Act.

9. All loan companies already operating under "*The Companies Act*" shall be entitled to the benefit of the provisions of this Act, and may exercise the powers conferred by it, in the same manner and to the same extent as if such provisions had originally formed part of "*The Companies Act*."

Sec. 98, 99 and 100
amended.

10. Sections ninety-eight, ninety-nine and one hundred of the said Act are hereby amended so that the same shall read as follows :—

Company may unite
with another com-
pany or purchase or
sell assets.

"98. The Company may unite, amalgamate and consolidate its stock, property, business, and franchises with those of any other company or society incorporated or chartered to transact a like business and any other business in connection with such business, or with those of any building, savings or loan company or society heretofore or hereafter incorporated or chartered, or may sell its assets to any such other company or society, which is hereby authorized to purchase the same, or may purchase the assets of any other such company or society, which is hereby authorized to sell the same, and for the purpose of carrying out such purchase or sale, the company so purchasing may assume the liabilities of the company so selling and may enter into such bond or agreement of indemnity with the company or the individual shareholders thereof or both as may be necessary, and may enter into all contracts and agreements necessary to such union, amalgamation, consolidation, sale, purchase or acquisition."

Agreement for union
how made and what
to provide.

"99. The directors of the Company and of any other such company or society may enter into a joint agreement under the corporate seals of each of the said corporations for the union, amalgamation or consolidation of the said corporations, or for the sale by the Company of its assets to any other such company or society, or for the purchase and acquisition by the Company of the assets of any such company or society, prescribing the terms and conditions thereof, the mode of carrying the same into effect, the name of the new corporation, the number of directors and other officers thereof, and who shall be the first directors and officers thereof, the manner of converting the capital stock of each of the said corporations into that of the new corporation, with such other details as they deem necessary to perfect such new organization, and the union, amalgamation and consolidation of the said corporations and the after management and working thereof, or the terms and mode of payment for the assets of the Company by any other such company or society purchasing the same, or for the assets of any other such company or society purchased or acquired by the company."

" 100. Such agreement, or if no agreement has been entered into but an offer has been made by another company or society under its corporate seal for the purchase of the assets of the Company, or if the Company has made any offer under its corporate seal for the purchase of the assets of another company or society, then such offer shall be submitted to the shareholders of each of the said corporations at a meeting thereof to be held separately for the purpose of taking the same into consideration :

Approval of shareholders.

" 2. Notice of the time and place of such meetings and the objects thereof shall be given by written or printed notices addressed to each shareholder of the said corporations respectively, at his last known post office address or place of residence, and also by a general notice inserted in a newspaper published at the chief place of business of such corporations once a week for six successive weeks :

Notice of meeting for such purpose.

" 3. At such meetings of shareholders such agreement or offer shall be considered and a vote by ballot taken for the adoption or rejection of the same, each share entitling the holder thereof to one vote, unless otherwise provided by the by-laws of the said respective corporations, and the said ballots being cast in person or by proxy ; and if two-thirds of the votes of all the shareholders of such corporations representing not less than two-thirds in value of the paid up capital stock of each shall be for the adoption of such agreement, or the adoption and acceptance of such offer, then that fact shall be certified upon the said agreement or offer by the secretary or manager of each of such corporations under the corporate seals thereof :

Proceedings at meetings.

" 4. If the said agreement is so adopted or the said offer so adopted and accepted at the respective meetings of the shareholders of each of the said corporations, the agreement so adopted or the offer so adopted and accepted and the said certificates thereon shall be filed in the office of the Secretary of State of Canada, and the said agreement or offer shall thenceforth be taken and deemed to be the agreement and act of union, amalgamation and consolidation of the said corporations, or the agreement and deed of purchase and acquisition of the assets of the Company by such other company or society so purchasing or by the Company of the assets of the company or society so selling, as the case may be ; and the assets of the company selling shall thereupon, without any further conveyance, become absolutely vested in the Company purchasing, and the Company purchasing shall thereupon become and be responsible for the liabilities of the Company or Society so selling, the whole as fully and effectually to all intents and purposes as if a special Act were passed with that object ; and in dealing with the assets of the Company selling it shall be sufficient for the Company purchasing to recite the said agreement and the filing thereof in the office of the Secretary of State of Canada.

If the agreement is adopted or the offer accepted.

Effect of agreement.

Copy to be evidence.

"5. A copy of such agreement or offer so filed and of the certificates thereon properly certified shall be evidence of the existence of such new corporation or of such purchase and acquisition :

Letters patent may
issue to the new
company.

"6. Due proof of the foregoing facts shall be laid before the Governor-in-Council, and the Governor-in-Council may issue letters patent to the new corporation and notice thereof shall be duly published by the Secretary of State in the *Canada Gazette*, after which the new corporation may transact business :

Who only may vote
at such meetings.

"7. The shareholders who may vote at such meetings shall be those only whose names are duly entered in the books of the respective corporations at the date of the first publication of the notices calling such meetings, and they shall vote upon the shares only then standing in their respective names."

58-59 VICTORIA.

CHAP. 21.

AN ACT TO AMEND THE COMPANIES ACT.

[Assented to 22nd July, 1895.]

HER Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows :

R. S. C., c. 119, s. 94
amended.

1. Section ninety-four of *The Companies Act*, chapter one hundred and nineteen of the Revised Statutes, is hereby repealed and the following substituted therefor:—

Power to hold real
estate necessary for
business.

"94. The company may hold such real estate as is necessary for the transaction of its business, not exceeding in yearly value the sum of ten thousand dollars, or such real estate as, being mortgaged or hypothecated to it, is acquired by it for the protection of its investments,—and may, from time to time, sell, mortgage, lease or otherwise dispose of the same ;

Limitations as to
holding other real
estate.

2. The company shall sell any real estate acquired in satisfaction of any debt within seven years after it has been so acquired, unless there is in force in the province or territory in which such real estate is situate an Act of such province or territory respecting the sale or disposition of lands so acquired and the provisions of such Act are inconsistent with those of this subsection, in which case the provisions of such Act shall apply ;

Reversion thereof.

"3. If real estate to which subsection two of this section applies is not sold within the time therein limited, it shall revert to the previous owner or to his heirs or assigns."

60-61 VICTORIA.

CHAP. 27.

AN ACT TO AMEND THE COMPANIES ACT.

[Assented to 29th June, 1897.]

HER Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows :—

1. Section 37 of *The Companies Act* is hereby amended by striking out the following words at the end thereof, "but the limitation made by this section shall not apply to commercial paper discounted by the company";—and by substituting therefor the following words:—"Provided always that the limitations and restrictions on the borrowing powers of the company contained in this section shall not apply to or include moneys borrowed by the company on bills of exchange or promissory notes drawn, made, accepted, or endorsed by the company."

R. S. C., c. 119, s. 37 amended.
Exception from restrictions of borrowing powers.

2. This Act shall be read as part of *The Companies Act*, and the provisions hereof shall apply and extend to all existing companies to which the provisions of *The Companies Act* are applicable.

Application of amendment.

61 VICTORIA.

CHAP. 50.

AN ACT FURTHER TO AMEND "THE COMPANIES ACT."

[Assented to 13th June, 1898.]

HER Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows :

1. Subsection 5 of Section 5 of the *The Companies Act* is hereby repealed, and the following substituted therefor :

R. S. C., c. 119, s. 5 amended.

Disposal of amount paid up on capital stock by applicants for incorporation.

"5 (a.) Such aggregate shall be deposited to the Credit of the Receiver-General of Canada, and shall be standing at such credit in some chartered bank in Canada, and the applicants shall, with their petition, produce the deposit receipt for such amount so deposited.

Return of amount to company or to applicants.

"(b.) At any time after the signing of letters patent incorporating the applicants as a company, the said aggregate, so paid in to the credit of the Receiver-General, may be returned to and for the sole use of the company, or in case of failure to incorporate, to the applicants who have paid in or contributed to the same, under regulations from time to time made by the Governor-in-Council.

Proviso as to portion of amount which may be represented by real estate.

"(c.) In case the object of the company is one requiring that it should own real estate, any portion not exceeding one-half of such aggregate may be taken as paid in, if it is *bona fide* invested in real estate suitable to such object, and such real estate is, by a valid and sufficient registered deed, duly held by two or more trustees for the company, and the applicants shall establish the fact by oath, affirmation or declaration, that such real estate is of the required value over and above all encumbrances thereon."

62-63 VICTORIA.

CHAP. 40.

AN ACT TO AMEND THE COMPANIES CLAUSES ACT AND THE COMPANIES ACT.

[Assented to 11th August, 1899.]

HER Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows :—

Preference stock may be created by by-law.

1. Except as hereinafter provided, the directors of any company heretofore or hereafter incorporated, and to which *The Companies Clauses Act*, chapter 118, or *The Companies Act*, chapter 119 of the Revised Statutes, is applicable, may make a by-law for creating and issuing any part of the capital stock as preference stock, giving the same such preference and priority, as respects dividends and in any other respect, over ordinary stock as is declared by the by-law.

2. The by-law may provide that the holders of shares of such preference stock shall have the right to select a certain stated proportion of the board of directors, or may give them such other control over the affairs of the company as is considered expedient.

Holders may be given control of affairs

3. No such by-law shall have any force or effect whatever until after it has been unanimously sanctioned by a vote of the shareholders, present in person or by proxy at a general meeting of the company duly called for considering the same and representing two-thirds of the stock of the company, or unanimously sanctioned in writing by the shareholders of the company; provided, however, that if the by-law be sanctioned by not less than three-fourths in value of the shareholders of the company, the company may, through the Secretary of State, petition the Governor-in-Council for an order approving the said by-law, and the Governor-in-Council may, if he sees fit, approve thereof, and from the date of such approval the by-law shall be valid and may be acted upon.

Sanction by shareholders.

Approval by Governor-in-Council.

4. Holders of shares of such preference stock shall be shareholders within the meaning of the said Acts, or either of them, and shall in all respects possess the rights and be subject to the liabilities of shareholders within the meaning of the said Acts, or either of them; provided, however, that in respect of dividends and in any other respect declared by by-law as authorized by section 1 of this Act they shall, as against the ordinary shareholders, be entitled the preferences and rights given by such by-law.

Rights of holders of preference stock.

5. Nothing contained in this Act or done in pursuance thereof shall affect or impair the rights of creditors of the company.

Saving clause.

6. This Act does not apply to any insurance company or trust company.

Application of Act.

EXAMPLE OF A SPECIAL DOMINION ACT.

An Act to incorporate "The Times Printing and Publishing Company,"

Assented to 8th April, 1899.

WHEREAS the following persons, namely: Wm. Allen, R. Thompson, R. H. Simpson, S. G. Beatty, T. Wilson, Robt. Knight, Wm. Neil, Alford Campbell, John Conger, Jas. Brown, Robt. Neilson, J. W. Johnson, Wm. Green, Robt. Wallace, Jas. Cunningham, W. B. Robinson, and Jas. Anderson, jr., have petitioned to be incorporated as a body politic to carry on the business of the *TIMES* Newspaper, and a general printing and publishing business in the City of Brantford, Province of Ontario, and in the several capitals, towns and places in the several Provinces of the Dominion, and humbly pray to be incorporated; Therefore Her Majesty, by and with the advice and consent of the Senate and House of Commons, enacts as follows:—

1. The said Wm. Allen, R. Thompson, R. H. Simpson, S. G. Beatty, T. Wilson, Robt. Knight, Wm. Neil, Alford Campbell, John Conger, James Brown, Robt. Neilson, J. W. Johnson, Wm. Green, Robt. Wallace, James Cunningham, W. B. Robinson, and James Anderson, jr., together with all such other persons as now are or may hereafter become shareholders in the Company, hereby created, shall be and they are hereby declared to be, and are hereby constituted a body politic and corporate by the name of "The *TIMES* Printing and Publishing Company (Limited)," and may by that name sue and be sued, implead and be impleaded, answer and be answered, defend and be defended in all courts of law or equity, and by that name they and their successors shall have perpetual succession, and may have a common seal, and may change and alter the same at pleasure, may establish agencies for the sale of the said newspaper, and carry on the said business in the various Provinces of the Dominion, may acquire for themselves and their successors, under any legal title whatsoever, property, real and personal, may contract for, alienate, buy, sell, rent, lease, mortgage, or otherwise dispose of the same or any part thereof, from time to time, and at all times as occasion may require, for the purposes of their business only, for such sums or prices, and upon such terms and conditions as they may see fit.

2. The said company is hereby formed for the purpose of continuing, extending and carrying on the business of The *TIMES* newspaper, and generally for carrying on the business of printing, publishing, stereotyping, engraving, wood-cutting, lithographing, book-binding, and of dealing in and vending all articles of merchandise connected therewith.

3. The head office of the said Company shall be at the City of Brantford in the County of Brant, Province of Ontario, with establishments, branches, agencies or offices in any other place or places in the Dominion that the said Corporation may from time to time decide upon and desire to do business in.

4. The capital stock of the said company shall be fifty thousand dollars, divided into one thousand shares of fifty dollars each, and the said stock shall be transferable or alienable, only in such manner and subject to and upon such conditions and restrictions as by the By-laws of the said Company shall be prescribed.

5. The said Corporation or Company may, from time to time, increase the amount of its capital stock, provided always that the majority of the Directors of the said Company shall by their votes resolve and declare that the said capital stock is insufficient for the purpose thereof, and shall then call a special or general meeting of the stockholders of the Company, giving at least two weeks' notice of such meeting, and stating the proposed increase as one of the objects of such meeting, by a written or printed notice delivered or mailed to the post office address, as in the stock book appears, of each shareholder or his representative, and by advertising the same for two weeks in some newspaper published in the City of Brantford aforesaid, and shall then submit such resolution to such meeting for approval; and at such meeting the majority of votes in value of the shareholders present may accept, endorse, amend or reject such resolution of the Directors, and may pass a resolution authorizing the Directors of the said Company to increase the capital stock of the said Company to such amount as they may deem necessary therefor; and thereupon the said Directors may by By-law or By-laws declare that the capital stock shall be increased by such amount, and the time, amount and manner of paying the same, and may open stock books for subscriptions thereof and thereto. Provided always that such resolutions of the Directors to increase such capital stock of the Company may be submitted to any annual meeting of the Company, which annual meeting shall have all the powers and privileges herein conferred upon a general or special meeting called as herein directed.

6. To enable the said Corporation or Company to carry out the objects herein mentioned, the said Wm. Allen, R. Thompson, S. G. Beatty, W. B. Robinson and J. Johnson are hereby constituted Provisional Directors of the said Company, who shall have power to manage the affairs of the said Company until Directors under the provisions of this Act shall be elected in their place, and the said Provisional Directors shall have power to open stock books, receive subscriptions for stocks or shares, and generally to do all matters and things necessary for the full organization and working of the said Company.

7. So soon as three hundred shares of the said capital stock shall have been subscribed, and ten per centum paid up thereon, the Provisional Directors shall call a general meeting of the shareholders to be held in the City of Brantford, of which meeting not less than ten days' notice shall be given by public advertisement, and notice delivered or mailed to each stockholder for the purpose of electing five or seven Directors, as may by the said meeting be determined, and of organizing the said company generally, and upon such Directors being elected, the powers and duties of the Provisional Directors may cease.

8. The said Company shall not be entitled to commence business until ten per centum shall have been actually paid up on three hundred shares of the subscribed capital.

9. The annual meeting of the said company shall be held in the said City of Brantford.

10. At each annual meeting of the Company a full and detailed statement of the financial affairs of the Company up to the thirty-first day of December then last past, or up to such other day as may be fixed by By-law before the annual meeting, shall be submitted to the stockholders, and shall be entered in the books of the Company, and be open for the inspection of shareholders.

11. At each annual meeting it shall be the duty of the shareholders to estimate and establish by resolution the then actual value of the shares of the stock ; and in case at any time during the next ensuing year any shares in the stock of the Company are offered for sale, and the sale thereof has not been entered in the books of the Company or if any such shares have become transmitted by bequest, inheritance, marriage, or in any other way howsoever, then the directors of the Company shall, during two months next after such sale, offer for sale, or transmission has been notified to the Company, have the privilege, for and on behalf of the remaining or surviving shareholders generally, of acquiring such shares so to be sold or transmitted upon payment or tender of the price of such shares calculated at the last established actual value thereof as aforesaid, the said directors having the first preference of purchase, and the said shares shall be allotted and distributed among such remaining or surviving shareholders of the said Company as may be agreed upon by and with the said directors, either under the By-laws or a resolution of the directors. And in case the shareholders should at any meeting neglect to fix such actual value, the last actual value so fixed shall be the actual value until another resolution be passed as aforesaid.

12. The shareholders shall not as such be held responsible for any act, default, contract, or liability whatsoever, of the Company, or for any engagement, claim, payment, loss, injury, transaction, matter or thing whatsoever, relating to or connected with the Company beyond the amount unpaid, if any, upon their respective shares ; Provided always that amongst the officers of the said Company, there shall be a Printer and Publisher, who shall be held responsible in any criminal proceedings for libellous matter complained of as having been published in the said TIMES newspaper or by the said Company at its establishment, and each and every issue of the said newspaper shall contain the full name and post office address of such Printer and Publisher.

13. Every executor, administrator, tutor, curator, guardian or trustee of stock shall represent the stock in his hands at all meetings of the Company, and shall be eligible as a Director if representing a sufficient amount of stock.

14. The Charter of the said Company shall be forfeited by non-user during three consecutive years at any one time.

15. The clauses of the "Companies' Act, R. S. C., chap. 119," except as herein altered, and so far as applicable, shall apply to the Company hereby incorporated, and shall be read as part of this Act.

INCORPORATION UNDER ONTARIO LEGISLATION.

The General Ontario Act under which Joint Stock Companies may obtain incorporation by Letters Patent is cited as, "*The Ontario Companies Act*," to be found at chapter 191, Revised Statutes of Ontario, 1897. And amendments, 61 Vic., cap. 19, 62 Vic., cap. 11, and 63 Vic., cap. 23.

SHORT TITLE, s. 1.

INTERPRETATION, s. 2.

APPLICATION OF THE ACT:

- To companies hereafter incorporated by letters patent, s. 4.
- To companies heretofore incorporated by letters patent, s. 5.
- To companies heretofore incorporated by special Act, s. 6.
- To companies hereafter incorporated by special Act, s. 7.
- Cap. 156, R. S. O. 1887, not to apply to future companies, s. 8.

INCORPORATION OF COMPANIES BY LETTERS PATENT.

- Objects for which incorporation may be granted, s. 9.
- Applicants must be twenty-one years of age, s. 10.
- Name of company must be free from objection, s. 10, s.-s. (a).
- Word "Limited" must be the last word in each name, s. 10, s.-s. (a).
- Memorandum of Agreement must be executed in duplicate, s. 10, s.-s. (2).
- The Governor-in-Council may make regulations as to notice, etc., s. 11.
- The Governor may give a company any name and vary its powers, s. 14.

AMALGAMATION OF COMPANIES.

- Two or more companies may amalgamate, s. 103, *et seq.*

EXISTING COMPANIES MAY APPLY FOR EXTENDED POWERS, s. 105.

RE-INCORPORATION OF INCORPORATED COMPANIES, s. 104.

EXTRA-PROVINCIAL COMPANIES.

- Extra-provincial companies may be licensed, s. 107.
- If licensed, must appoint an attorney, s. 107, s.-s. (2).
- Must make annual returns, s. 107, s.-s. (5).
- License may be revoked, s. 107, s.-s. (7).

ANNUAL GENERAL, SPECIAL AND FIRST MEETINGS.

- Meeting for organization to be held within two months, s. 16.
- Notice to be given of annual and general meetings, s. 50.
- Annual meeting to be held on fourth Wednesday in January, s. 51.
- Special meetings called by directors or by shareholders, ss. 52-57.

ANNUAL STATEMENT AND SUMMARY.

- Annual statement of income and expenditure, s. 78.
- Annual summary, s. 79.
- Copy of Summary must be posted in the company's office, s. 79, s.-s. (7).
- A second copy must be sent to the Provincial Secretary, s. 79, s.-s. (7).
- Penalty for default, s. 79, s.-s. (8).
- Proviso as to inactive companies, s. 79, s.-s. (10).

AUDIT.

- Accounts may be audited, s. 87.
- Appointment of Auditors, s. s. 88-94.

BOOKS TO BE KEPT AND WHAT TO CONTAIN.

- Books of record to be kept, s. 71.
- Penalty for false entries, s. 72.
- Rectification of books, s. 73.
- When and to whom books are to be open, s. 74.
- Penalty for refusing to allow inspection, s. 75.
- Books to be *prima facie* evidence, s. 76.
- Books of account, etc., to be kept, s. 77.
- Minutes of proceedings to be kept, s. 77.
- Books and records to be kept at head office, s. 10, s.-s. (c).

CAPITAL, SHARES, ETC.

- A company may alter its capital or re-divide its shares, ss. 17-21.
- A company may create preference stock s. 22.

DIRECTORS AND THEIR POWERS.

- Provisional directors to act until successors elected, s. 41.
- Directors must be stockholders and not in arrears, s. 42.
- Election of directors and filling of vacancies s. 43, s.-ss. (1), (2) and (3).
- Number of directors may be increased or decreased, s. 45.
- Powers and duties of directors, s. 46.
- Liability for transfer of shares to insufficient person, s. 28.
- Directors of insolvent company not to declare dividend, s. 83.
- Directors not to make loans to shareholders, s. 84.
- Directors liable for wages, s. 85.

FEES, ETC.

- Regulation and payment of fees, s. 95.
- Prepayment of fees compulsory, s. 95. (3).

FORFEITURE OR SURRENDER OF A CHARTER.

- Forfeiture within two years by non-user, s. 98.
- Revocation for cause, s. 99.
- Penalty for carrying on business with less than five shareholders, s. 100.
- Voluntary surrender of a charter, s. 101.
- Company may be wound up, s. 86.

INSPECTORS.

- May be appointed by a Judge, s. 80.
- May be appointed by the company, s. 80. (2).

LIABILITIES FOR FALSE STATEMENTS.

- False returns, etc., s. 97.

"LIMITED," HOW THE WORD MUST BE USED.

- Must be the last word in the name of every company, s. 10, s.-s. (a).
- Word must not be abbreviated and must be legible, s. 23.
- Word must be used in all notices, invoices, etc., s. 23.
- Liability of directors for default; Penalty, s. 23, s.-ss. (2) (4) and (5).
- Provisions as to companies not carried on for gain, s. 23, s.-s. (6).

LIMITED LIABILITY ON SHARES.

- Liability of shareholders to creditors, s. 37.
- Trustees not personally liable, s. 38.
- Mortgagees not personally liable, s. 39.

NAME—HOW CHANGED.

- Objectionable name may be changed by the Lieutenant-Governor-in-Council, s. 24.

NOTICES, SUMMONS, ACTIONS, ETC.

- Copy of by-law, under seal, to be *prima facie* evidence, s. 66.
- Writs, etc., may be signed by director, etc., s. 67.
- How notice may be served, s. 68; and Proof of service, s. 69.
- Action may be maintained between company and shareholder, s. 70.

POWERS OF COMPANIES.

- Powers on incorporation, s. 15.
- Incidental powers flowing from incorporation, s. 25.
- Proviso as to land, s. 25.
- Borrowing powers, s. 49.
- Power to issue bonds and debentures, s. 49, s.-s. (c).
- Power to mortgage property and rights of company, s. 49, s.-s. (d).
- Power to take stock in other companies, s. 82.
- Power to make contracts, etc., s. 81.
- Extension of powers of companies incorporated by letters patent, s. 102.
- Extension of powers of companies incorporated by special Act, s. 104.
- Power to vary by-laws passed by directors, s. 47.
- To reject by-laws for the payment of the president or any director, s. 48.

STOCK, CALLS, ETC.

- Allotment of stock, s. 26.
- Stock deemed to be personal estate, s. 27.
- Transfer of shares in arrears may be refused, s. 28.
- Transfer of shares valid only after entry, s. 29.
- Restrictions as to transfer, s. 30.
- Trusts in respect to shares not binding on company, s. 31.
- Calling in instalments, s. 32.
- Ten per centum must be called the first year, s. 33.
- Enforcement of payment of calls, s. 34.
- Forfeiture of shares, s. 35.
- Trustees and mortgagors may vote on shares, s. 36.
- How joint holders of stock may vote, s. 36, s.-s. (2).
- Payments on shares on incorporation of company, s. 10, s.-s. (3).
- Purchase of stock in other corporations, s. 82.

TO THE STUDENT.—Read the index to contents, pages 4 to 6, the preface, page 3, and refer at once to the "Guide," pages 61 to 65, and follow its instructions. Study the introduction to the Journal, beginning at page 83, before you commence to work out the Set.

GUIDE TO THE USE OF JOHNSON'S JOINT STOCK COMPANY BOOK-KEEPING.

TO THE STUDENT:—The transactions required in the Guide correspond with those worked out, except in figures and results; consequently, any one who understands double entry book-keeping can learn the method of keeping Joint Stock Company books from this work. A company is formed and carried on for a year: and you open, keep and close the books.

Ontario Business College, Belleville, Canada. }
Series of Text Books (No. 2).

(1) Read first of the various forms of partnership, then the definition of Joint Stock Companies and their advantages and disadvantages, from page 7 to 11. Full information respecting the incorporation of Joint Stock Companies by Letters Patent will be found at pages 12 to 22.

(2) Obtain a knowledge of the Dominion law affecting Joint Stock Companies by reading the Companies Act and amendments, from page 22 to 55.

(3) See the list of books and forms used in this set at page 65.

(4) Write the Prospectus (see form page 66).

(5) Learn the nature of By-laws by reading carefully the examples from page 69 to 71.

(6) How to record the minutes of meetings of a company's Directors you will learn by studying the examples given from page 72 to 74 inclusive.

(7) Suppose yourself the interim Secretary and Accountant of the——Company (Limited), applying for incorporation under the General Dominion Act, and prepare the Stock list, with from 12 to 20 names of stockholders, after the form on page 67. The capital stock will be \$50,000 in 1,000 shares of \$50.00 each.

(8) Make a record in the Minute Book, after the form given on page 72, of a meeting of the Provisional Directors, held at the office of the Company on Wednesday, the day of 19 , noting the following, announced by the President: The Company was duly formed under the Dominion Joint Stock Company's Act and the letters patent received; that all the stock has been subscribed for, and that a motion was made by Mr. seconded by Mr. that a general meeting of the shareholders be called for Thursday, the day of 19 , for the purpose of electing a Board of Directors to serve the Company for one year, and for other purposes.

[NOTE.—Be careful to use only the names of stockholders when choosing the names of Directors, President and Vice-President.]

(9) Make a minute of a meeting of the Directors held at the Company's Office on Friday, the day of 19 , and record the following:—Minutes of last meeting read and approved. The certificate of the scrutineers as to the election of Directors at the general meeting of shareholders (see form at page 72): the motions electing the President and Vice-President; the motions electing you Secretary and Accountant, and General Manager; the motion making a first call of 25 per cent. upon the shareholders, and the date it shall be due. (See page 73 for example of the foregoing.)

(10) Prepare an Instalment List for the first call of 25 per cent. after the form given on page 75.

(11) Make out Instalment Scrip for the amount paid by any one shareholder, see form on page 78.

(12) Study very carefully the introduction to the Journal from page 83 to 86, inclusive, as you will there find a full explanation of entries peculiar to the books of Joint Stock Companies.

(13) Make the opening Journal entry as on May 5th, which is to debit the shareholders with the amount of Stock subscribed by each, as shown in the Stock List in the form of the entry at page 86. (You may here refer to page 84 for instructions regarding another plan of dealing with Stockholders' accounts.)

(14) Open the Cash Book by debiting it with the instalment paid by each shareholder as per Instalment List No. 1, \$12,500, and interest \$13.48, in the manner shown at page 92, and open the Stock Ledger by crediting the shareholders with the instalments. See pages 105 to 106.

TRANSACTIONS.

May 5—Bought from L. Shickluna, the Propeller "Ontario," for \$22,500, and the Propeller "Erie," for \$23,000.

5—Deposited in Bank of Montreal, \$5,500.

15—Deposited in Bank of Montreal, \$4,125.

20—Deposited in Bank of Montreal, \$2,420.

"—Advanced the purser of each boat the sum of \$200 for use of boat till it has earned something.

29—Settled with L. Shickluna, for the Propellers "Ontario" and "Erie," by paying per cheque 1, \$10,000 and giving the company's note for the balance at two months from date, \$35,500.

(NOTE.—Put all Cheques through the Cash Book. Keep the Ledger posted.)

May 29—Close the Cash book for first month, post to the general ledger and bring down the balance.

June 8—Journalize Trip Statement No. 1 of Purser Propeller "Ontario," the following being its items: Dr. side, Freight \$1,830.00, Passengers, \$72.50; Cr. side, Wages \$210.30, Fuel \$66.50, Provisions \$215.20, Canal and Harbor Dues \$245.20, Commission and agency \$121.49. Lighterage and Elevating \$390.25, Engineer's Department \$24.20, Mate's Department \$57.30, Grain short \$30.72.

- June 8—Cash received from Purser Propeller "Ontario," Trip 1, \$500.
 12—Cash received from Purser Propeller "Erie," Trip 1, \$475.
 "—Deposited in Bank, \$900.
 12—Paid Policy of Insurance in Royal Canadian Co. on Propeller "Ontario" by Cheque No. 2, \$200, being one per cent. on \$20,000.
 "—Paid Policy of Insurance in Canada Marine Co. on Propeller "Erie," by Cheque No. 3, \$200, being one per cent. on \$20,000.
 "—Paid A. B. Gilbert, on account salary, per Cheque 4, \$100.
 " " M. MacCormick, " " " 5, 150.
 " " for stamps, stationery and books, cash 40.
 " " G. S. Tickell, for office furniture, per Cheque 6, 240.
 "—Journalize Trip Statement No. 1 of Purser Propeller "Erie," the following being its items: Dr. side, Freight \$1,796.25, Passengers \$94.20; Cr. side, Wages \$274, Fuel \$73.20, Provisions \$195.80, Canal and Harbor dues \$226.00, Commission and Agency \$116.00, Lighterage and Elevating \$339.00, Engineer's Dept. \$17.20, Mate's Dept. \$38.90, Grain short \$5.85.
 20—Debit cash with the second instalment on stock as per Instalment List No. 2, \$12,500, and interest \$6.08.
 "—Deposited in Bank \$8,000.
 30— " " " 4,500.
 "—Close the Cash Book for second month, post the totals, and bring down the balance.
- July 1—Cash received from Purser "Ontario," for Trip 2, \$1,510.
 "—Deposited \$1,400.
 "—Journalize Trip Statement No. 2 of Purser Propeller "Ontario," the following being its items: Dr. side, Freight \$3,291.20, Passengers \$428; Cr. side, Wages \$319.50, Fuel \$502.00, Provisions \$428.90, Canal and Harbor dues \$273.80, Commission and Agency \$132.40, Lighterage and Elevating \$430.40, Engineer's Dept. \$14.50, Mate's Dept. \$58.60; Grain short \$4.10.
 Make out the Trip Statement for above in form given on page 82.
 8—Cash received from Purser "Erie," for Trip 2, \$1,575.
 "—Deposited, \$1,525.
 "—Journalize Trip Statement No. 2 Propeller "Erie," the following being its items: Dr. side, Freight \$3,191.20, Passengers, \$550.00, Grain over \$45.00; Cr. side, Wages \$296.00, Fuel \$498.25, Provisions \$475.00, Canal and Harbor Dues \$253.00, Commission and Agency \$134.00, Lighterage and Elevating \$412.50, Engineer's Dept. \$5.20, Mate's Dept. \$10.00.
 13—*Transfer partially paid stock in the form given on page 80; journalize the transfer as shown in example page 88, and post to both General Ledger and Stock Ledger as instructed at the foot of page 80.*
 20—Debit cash with the third and last instalment on Stock, as per Instalment List No. 3, \$25,000, and interest \$8.01.
 "—Deposited \$20,500.
 31—Deposited \$3,740.
 "—Deposited \$2,250.

- July 31—Cash received from Purser Propeller "Ontario," for trip 3, \$2,200.
 "—Close the Cash Book for third month, post the totals, and bring down the balance.
 "—Journalize Trip Statement No. 3 of Propeller "Ontario," the following being its items : Dr. side, Freight \$3,529.20, Passengers \$790.00, Grain over \$40.50 : Cr. side, Wages \$296.00, Fuel \$428.00, Provisions \$377.50, Canal and Harbor Dues \$250.20, Commission and Agency \$126.00, Lighterage and Elevating \$380.00, Engineer's Dept. \$20.00, Mate's Dept. \$35.00.
- Aug. 2—Retired Note favor L. Shickluna \$35,500 by Cheque No. 7.
 4—Cash received from Purser "Erie," remittance for third trip, \$1,800.
 "—Deposited \$1,800.
 "—Journalize Trip Statement No. 3 of Propeller "Erie," the following being its items : Dr. side, Freight \$2,950, Passengers \$785.50 ; Cr. side, Wages \$232.50, Fuel \$394.20, Provisions \$419.50, Canal and Harbor Dues, \$221.00, Commission and Agency \$115.25, Lighterage and Elevating \$396.50, Engineer's Dept. \$10.00, Grain short \$30.00, Mate's Dept. \$15.00.

Transfer paid-up stock as shown at page 81, make out the form, and post to Stock Ledger as instructed at top of page 81.

- Aug. 8—*Credit the Purser of the Propeller "Ontario" by Jas. Scott, for freight charges uncollected at end of season, \$47.00, and by R. Thompson, for ditto, \$150.00.
 "† Received from Purser Propeller "Ontario," Cash to close the season.
 "† Received from Purser Propeller "Erie," Cash to close the season.
 "—Paid A. B. Gilbert bal. of Salary, \$300 per cheque 8.
 "—Paid M. McCormick " " 450 " 9.
 "—Paid by resolution of the Board, \$600 to the Directors for their services by cheque 10.
 "—Credit A. B. Gilbert with 4 months' salary at \$100.
 "— " M. McCormick " " " 150.

Read again carefully the explanations at pages 83 to 86. Take off a trial balance.

- 10—Determine the profits of each vessel by making the working account entries in the Journal, as done in examples at page 89 to 90. A "Working Account" is the same as a loss and gain (or profit and loss) or revenue account, and the difference between the debit and credit side either a net loss or gain. The "Ontario's" net gain is \$4,343.44 ; the "Erie's" \$4,008.30.

Having determined the gain of each vessel, now find the total gain of the Company for the season, by closing all the remaining representative accounts into Profit and Loss. They are Discount and Interest, "Ontario" Working acct. and "Erie" Working acct. To Profit and Loss ; and Profit and Loss to General Expense ; the credit side of Profit and Loss is in excess of the debit side \$6,739.31, being a profit upon the capital of the Company of nearly 13½ per cent. (\$13,48.)

*This is done because the Purser was charged with this freight, and as it has not been collected by him from Scott and Thompson, we charge the amounts to those men, and give the Purser credit.

† The debit balances of the Purser's accts. at this date are the amounts they severally owe the Company.

Refer to page 74 for the minutes of the last meeting of the Board, when, after examining the statement of the Company's profit, an annual dividend is declared of 10 per cent.

Read carefully the second paragraph on page 84, regarding declaration of Dividends.

As instructed at pages 84 and 85, make the Dividend entry in the Journal, and also the entry placing \$1000 at the credit of Rest account.

Make out the Dividend Sheet, taking the names of existing Shareholders from the Stock Ledger, as in example at page 108. Pay the dividend with proceeds of Cheque 11, and make the entries in Cash Book.

Deposit Cash in hand in Bank, and post and close the Cash Book, bring down the balances of the Real Accounts, and make out the Asset and Liability Statement and the profit and Loss Statement after the form on page 109.

Make out the Auditor's report, stating in your own language the facts mentioned in the example following the annual statements.

Read carefully the instructions regarding Auditing.

Read on to the end, and study carefully the general information respecting Joint Stock Companies.

JOINT STOCK COMPANY BOOK-KEEPING

Having in the preceding pages shown how Joint Stock Companies are formed, and having given a digest of the laws affecting them, we now proceed to illustrate the method by which the books of such Companies should be kept, and for our purpose create THE ONTARIO TRANSPORTATION COMPANY (Limited). We might, of course, illustrate the method equally well by a company engaged in printing, mining, manufacturing, or any other kind of business than that chosen, but the principles and methods that we shall adopt in the following set are applicable to all Joint Stock Company Book-keeping, be the business of the Company what it may.

It is in the existence of and in the manner of dealing with the share Capital and the various books and forms which it necessitates, that Joint Stock Book-keeping differs from the ordinary methods of keeping accounts.

Below is a list of the books and forms used in carrying on the affairs of the Ontario Transportation Company (Limited), each of which is explained hereafter:

PROSPECTUS AND STOCK LIST.	TRANSFER BOOK.	TRIAL BALANCE.
BY-LAWS.	PURSER'S TRIP STATEMENT.	DIVIDEND SHEET.
MINUTE BOOK.	JOURNAL.	PROFIT AND LOSS
INSTALMENT LISTS.	CASH BOOK.	STATEMENT.
INSTALMENT SCRIP.	GENERAL LEDGER.	ASSET AND LIABILITY
STOCK CERTIFICATE.	STOCK LEDGER.	STATEMENT.

For the list of books required to be kept by law, see page 32, sections of the Act 43 to 47.

PROSPECTUS OF THE ONTARIO TRANSPORTATION COMPANY, (LIMITED.)

Capital \$50,000, in 1,000 shares of \$50 each.

Provisional Directors.

R. C. HOOPER, Esq., Kingston.

J. W. JOHNSON, Esq., Belleville.

T. S. FORD, Esq., Whitby.

S. G. BEATTY, Esq., Toronto.

W. B. ROBINSON, Esq., Belleville.

JAS. BAKER, Esq., Belleville.

E. THOMPSON, Esq., Belleville.

Secretary: A. B. GILBERT.

Bankers: THE BANK OF MONTREAL.

The Ontario Transportation Company (Limited) is formed for the purpose of carrying on the business of forwarding freight and passengers between Canadian ports and American ports on the St. Lawrence River and the Great Lakes.

Owing to the opening up of the Canadian North-West, the enlargement of the Welland and St. Lawrence Canals to a depth of fourteen feet, and the greatly increased traffic between Liverpool and Chicago and other lake ports, both in grain outwards and general merchandise inwards, it is evident that a much larger fleet of steam propellers than has hitherto been required will find remunerative employment in the carrying trade of our inland waters. Judging from the past it is safe to predict that a profit of at least 12 per cent. is assured.

For this purpose the Company propose to give a contract for building two propellers to the well-known ship-building firm of L. Shickluna & Son, St. Catharines, Ont., and, immediately after they are completed, to enter vigorously into the proposed business.

In order that there shall be no delay, it is proposed to apply for a Charter, under the Dominion General Joint Stock Companies Act, as soon as one-half of the proposed Capital Stock is *bona fide* subscribed.

It is proposed to make calls upon the subscribers for stock as follows: 25 per cent. before the Charter is obtained; 25 per cent. about one month thereafter; and the balance of 50 per cent. about two months thereafter, according as the Directors may deem advisable.

STOCK LIST.

We, the undersigned, subscribe for the amount of capital stock in the Ontario Transportation Company (Limited) set opposite our respective names and seals; and agree to pay the calls upon the said stock as they become due.

DATE.	SUBSCRIPTION.	SHARES.	SIGNATURES AND SEALS.	RESIDENCE.	WITNESSES.
1901 March.	I subscribe for one hundred shares,	100	W. B. Robinson,	Belleville.	
"	I subscribe for one hundred shares,	100	J. W. Johnson,	Belleville.	
"	I subscribe for seventy-five shares,	75	S. G. Beatty,	Toronto.	
"	I subscribe for twenty-five shares,	25	T. S. Ford,	Whitby.	
"	I subscribe for one hundred & twenty-five shares,	125	R. C. Hooper,	Kingston.	
10	I subscribe for two hundred shares,	200	Jas. Baker,	Belleville.	
"	I subscribe for fifty shares	50	E. Thompson,	Montreal.	
15	I subscribe for seventy-five shares,	75	Fred Wilson,	Chicago.	
"	I subscribe for one hundred shares,	100	Francis Murphy,	Wilwaukee.	
20	I subscribe for twenty shares,	20	R. T. Bell.	Belleville.	
"	I subscribe for sixty shares,	60	Edward Harrison,	Belleville.	
"	I subscribe for seventy shares	70	L. W. Yeomans,	Belleville.	
		1000			

Witness signs opposite each subscription.

NOTE.—The use and value of a Stock List is so easily understood, by a glance at the example above, that it is unnecessary to say more than that it binds and makes responsible the original subscribers for stock. The manner of making responsible those who may subsequently become holders, by transfer of any of the above stock, is shown in the Transfer Book. For any future issue of stock it will be necessary, of course, to again prepare a Stock List.

APPLICATION FOR SHARES.

TO THE DIRECTORS OF THE ONTARIO TRANSPORTATION COMPANY (LIMITED).

Be pleased to allot me ten shares in this Company, and I shall sign the Stock List when presented. I enclose herewith a cheque to the order of the Treasurer of the Company for 25% of the amount of my subscription, and I promise to pay the remainder when requested to do so by the Directors.

FULL NAME

ADDRESS

Dated Belleville, January 7, 1901.

NOTICE THAT SHARES HAVE BEEN ALLOTTED.

SIR,

The Directors of the Ontario Transportation Company (Limited) have this day allotted you ten shares in the Company, as requested in your application.

A. B. GILBERT,
Secretary.

BELLEVILLE, February 1, 1901.

FORM OF PROXY.

I, JOHN SMITH, of Montreal, in the District of Montreal, being a member of the Ontario Transportation Company (Limited), hereby appoint W. B. Robinson, of Belleville, in the County of Hastings, to vote for me and on my behalf at the ordinary *or* extraordinary (*as the case may be*) General meeting of the Company, to be held on the day of ; and at any adjournment thereof (*or* at any meeting of the Company that may be held within the year).

Witness my hand this, day of

Signed in the presence of

BY-LAWS.

The following By-laws are given as an example of by-laws in general, and the manner in which they are made. No two Companies will have them exactly the same. Here we only allow the stock of the Company to be sold with the sanction of the Directors; in another Company it might not be desirable to curtail the power of Shareholders to sell at pleasure to whom they choose—as, for instance, Bank Stock or Insurance Stock.

BY-LAWS OF THE ONTARIO TRANSPORTATION CO. (LIMITED).

PASSED AT A MEETING OF THE DIRECTORS, HELD AT THE OFFICE OF THE COMPANY
ON FRIDAY MAY 20TH, 1901.

MEETINGS.

1. A general annual meeting of the Shareholders shall be held at the office of the Company (of which ten days' notice shall be given by circular to each Shareholder), on the first Wednesday in February in each year, for the purpose of hearing the report of the Directors for the year last past, and to elect Directors for the next ensuing year, and for all other general purposes relating to the management of the Company, and at each such general meeting full and clear statements of the affairs of the Company for the preceding year shall be submitted.

2. A general meeting of Shareholders may be called at any time (the same notice to be given as for the annual general meeting) by the Directors when they may deem the same necessary or advisable for any purpose, and it shall be incumbent on the President to call a general meeting of the Shareholders whenever required so to do in writing by one-fourth part in value of the Shareholders of the Company, for the transaction of any business specified on such written requisition and notice as they may issue to that effect.

3. The Directors shall be called together by the President as occasion may require.

4. All questions at meetings shall be decided by a majority of the members present, either in person or by proxy, to be filed in the office of the Company, and which shall be to the following effect:—

PROXY.—This is to certify that I, _____, being a shareholder in the Ontario Transportation Company (Limited) to the extent of _____ shares, have nominated and appointed, and I do hereby nominate and appoint _____, who is a Shareholder in the said Company; to represent me at all meetings of the Shareholders of the aforesaid Company, for whatever purpose the same may be called, and subject to the By-laws of the Company, the vote or votes of my above-named representative shall, in all

respects, be considered as my vote or votes, until I shall have signified in writing to the President of the Company my withdrawal of this proxy.

Dated this

day of

A. D.

WITNESS :

5. Shareholders shall be entitled to one vote for each and every share held by them in the Company, but no shareholder being in arrear of any call upon his or her stock shall be entitled to vote at any meeting of the Company.

DIRECTORS.

6. The affairs of the Company shall be under the control of a board of seven Directors, of whom five shall form a quorum.

7. The President and Vice-President of the Company shall be chosen by the Directors from amongst themselves, at the first meeting following the annual meeting of the shareholders.

8. The duty of the President shall be to preside, if present, at all meetings of the Directors; call meetings of the Directors and Shareholders when necessary; to advise with and render such assistance to the Manager as may be within his power.

9. In the absence of the President, the Vice-President shall have and exercise all the rights and powers conferred by these By-laws upon the President.

10. It shall be the duty of the Secretary to keep a correct record of the proceedings of all meetings of the Board and of the Shareholders of the Company and to deliver, when authorized to do so by a resolution of the Board of Directors, all books, papers, or other property belonging to the Company that may be in his custody or possession to such person as may be indicated in said resolution.

11. *Any shareholder, to the extent of ten shares and over, who is not in arrears for payments for calls upon stock, shall be eligible to be elected as a Director.

12. The Directors shall hold office for one year, and until their successors shall be elected.

13. In the event of the death of any Director, or should any Director become incapable of acting, or cease to be a Stockholder in the Company, the vacancy thereby created may be filled for the unexpired remainder of the term by the Board from among the qualified Shareholders of the Company.

14. The Directors shall, from time to time, determine by resolution the salary or wages to be paid to the officers of the Company,

15. A corporate Seal shall be provided for the Company of such design as the Directors may determine, which seal shall be in charge of the Secretary of the Company, but shall, whenever used, require for its authentication the signature of the President and Secretary.

STOCK.

16. Any shareholder may, by leave of the Directors, but not otherwise, transfer his share or shares by making an entry of such transfer in a book to be provided for that purpose, such entry to be signed by him and his transferee, and witnessed, and no person shall be allowed to hold or own stock in, or be interested in the business

*It is not desirable to commit the management of the affairs of the company to those who have only a small interest in it, consequently the qualifications for the Directors are placed at not less than ten shares.

of the said Company without the consent of the Directors first had and obtained,* nor shall dividends be paid to any but the Shareholders.

17. The Directors shall not be obliged to receive full payment of any shares until the same shall have been demanded by call.

18. Calls upon the subscribed capital stock of the Company shall be made at such times as the Directors may determine, provided, however, that no call shall exceed fifty per cent. of the subscribed capital, and that there shall be an interval of at least one month between any two calls.

19. The Directors shall have power summarily to forfeit all shares, and the money paid thereon upon which any call shall have remained unpaid for a period of six months after the same shall have become due and payable, and such forfeited stock thereupon shall become the property of the Company.

20. Certificates of stock shall only be issued for fully paid up shares, but for payments of any call upon the stock, receipts on the Company's form shall be granted; both the certificate and the receipt shall be under the seal of the Company, and signed by the President and Secretary.

AUDITING.

21. One or more auditors shall be appointed annually by the Shareholders at the annual general meeting, whose duty it shall be to examine and audit the books and accounts of the Company, and any and all documents having reference to the business of the Company, and prepare from the Company's books a balance sheet and abstract of the Company's affairs, to be submitted to the Directors on the last Monday in January, accompanied by any recommendations or suggestions they may deem proper.

BANKING.

22. A bank account shall be kept in the name of the Company at such Bank or Banks as the Directors may appoint, and all cheques shall be signed by the Secretary and President.

AMENDING BY-LAWS.

23. These By-laws having been sanctioned at the first annual meeting of the Shareholders, the Directors may, from time to time, as circumstances may require, repeal, amend, and re-enact the above By-laws; but such by-laws and every repeal, amendment or enactment thereof, unless in the meantime confirmed at a general meeting of the Company duly called for that purpose, shall only have force until the next annual meeting of the Company, and in default of confirmation thereat, shall at and from that time only cease to have any force.

*A limit such as this might be desirable under certain circumstances. As a rule, the holder of fully paid up shares may transfer them to whom he pleases. The sanction of the Directors, however, must be obtained when transferring stock that is not fully paid up. The new holder should be as responsible a person as the old one.

MINUTE BOOK.

This book is kept for the purpose of recording the business done by the Directors at their meetings, and should be written up by the Secretary from notes taken as the business of the meeting proceeds. The reading and adoption of the minutes of a previous meeting is the first order of business at any meeting of Directors.

The minutes of shareholders' meetings would be kept separately, and would record the transactions done at annual meetings and extraordinary meetings of the shareholders.

MINUTES

Of a meeting of the *Provisional Directors of the Ontario Transportation Company (Limited), held at the office of J. W. Johnson, Esq., in the City of Belleville, on Saturday, the first day of April, 1901.

PRESENT :

R. C. HOOPER,	W. B. ROBINSON,	S. G. BEATTY,	E. THOMPSON,
T. S. FORD,	J. W. JOHNSON,	JAMES BAKER.	

The Acting President announced that all the legal formalities had been complied with, and the Company was duly formed under the Dominion Joint Stock Company's Act, with a capital of \$50,000, divided into one thousand shares of fifty dollars each, all of which has been subscribed. He also stated that the duties of the Provisional Board were now performed; and moved, seconded by Mr. Ford, that a meeting of the Shareholders be called for Wednesday, the 12th April, 1901, for the purpose (as required by the charter) of electing a Board of Directors, which was carried.

R. C. HOOPER.

Minutes of a meeting of the Directors of the Ontario Transportation Company (Limited), held at the office of J. W. Johnson, Esq., in the city of Belleville, on Wednesday, the 19th April, 1901.

W. B. ROBINSON,	S. G. BEATTY,	R. C. HOOPER,	E. THOMPSON,
J. W. JOHNSON,	T. S. FORD,	JAS. BAKER,	

Who were duly elected Directors of the Company at a meeting of Shareholders on Wednesday, the 12th day of April, 1901, as per the following certificate :

The undersigned Scrutineers, appointed by resolution at a meeting of the Shareholders of the Ontario Transportation Company (Limited), held at the office of J. W. Johnson, Esq., on Wednesday, the 12th day of April, 1901, hereby certify that the following gentlemen were duly elected Directors of the said Company for one year by receiving the largest number of votes, viz :—

R. C. Hooper	W. B. ROBINSON,	S. G. BEATTY,	E. THOMPSON,
T. S. FORD,	J. W. JOHNSON,	JAS. BAKER.	
	(Signed),	L. W. YEOMANS,	} Scrutineers.
		E. HARRISON,	

Sworn before me at Belleville, this 19th
day of April, 1901.

A. MACKENZIE, J. P.

*NOTE.—The Provisional Directors are the Committee of Management up to the time of the first annual meeting of the Shareholders, when a Board of Directors is elected.

The minutes of Shareholders' meetings are kept in a separate book.

The minutes of the last meeting of the Provisional Directors were read and approved.

MR. BEATTY, seconded by MR. FORD, moved the following resolutions, which were adopted :—

RESOLVED, that W. B. Robinson, Esq., be President of the Company, and T. S. Ford, Esq., Vice-President.

The action of the President in taking steps to procure and furnish an office for the Company, at 51 John Street, was approved on motion of MR. FORD, seconded by Mr. BEATTY.

MR. JOHNSON, seconded by Mr. BAKER, moved the following resolutions, which were adopted :—

RESOLVED, that Mr. A. B. Gilbert be Secretary and General Manager of the Company.

RESOLVED, that Mr. M. MacCormick be Treasurer and Accountant.

It was resolved, on motion of MR. BEATTY, seconded by MR. HOOPER, that the necessary books of account for recording the business of the Company be procured by the Secretary and Accountant.

It was also resolved, on motion of the same gentlemen, that the first call of 25 per cent. be made upon the Shareholders, to be payable at the Company's office on the 5th day of May, 1901.

Adjourned to meet on the 20th May.

A. B. GILBERT, *Secretary*.

W. B. ROBINSON, *President*.

Minutes of a meeting of the Directors of the Ontario Transportation Company (Limited), held at the Company's office, 51 John Street, in the City of Belleville, on the 20th of May, 1901, all the Directors being present.

The minutes of the last meeting were read and approved.

The Secretary reported that the first call of 25 per cent. of the Company's capital had been made and responded to by each Shareholder.

The President stated that L. Shickluna, of St. Catharines, had offered to sell to the Company two first-class propellers (ready for launching), full Welland Canal size, with a capacity of 27,000 bushels of Wheat, having condensing engines by Oille, of St. Catharines, for the sum of \$23,000 each, and having examined them, with Capt. Pollock, he advises the Company to buy them at once and place them on the route between Chicago and Montreal. It was resolved, on motion of Mr. Beatty, seconded by Mr. Johnson, that the recommendation of the President be forthwith carried out.

Adjourned to meet on the 30th inst.

A. B. GILBERT, *Secretary*.

W. B. ROBINSON, *President*.

Minutes of a meeting of the Directors of the Ontario Transportation Company (Limited), held at the Company's office, 51 John Street, in the City of Belleville, on the 30th May, 1901, all the Directors being present.

The minutes of the last meeting were read and approved.

Since the last meeting of the Directors, the Company has purchased two propellers from L. Shickluna, of St. Catharines, and named them respectively, "Pacific" and "Atlantic," and it is intended that they shall commence running on or about the first of June.

The appointment of officers for the boats was taken into consideration, and on motion of Mr. BAKER, seconded by Mr. JOHNSON, the following were appointed:—

PROPELLER "PACIFIC."

Captain, Wm. Hannay.....	Salary, \$1000
Purser, J. T. Rose.....	" \$1000
Engineer, Wm. Walsh.....	" \$900

PROPELLER "ATLANTIC."

Captain, A. Pollock.....	Salary, \$1000
Purser, E. Hayne.....	" \$1000
Engineer, O. St. John.....	" \$900

The balance of the crews to be engaged by the officers, each in his own department.

Mr. JOHNSON moved, seconded by Mr. BEATTY, and it was resolved, that the pursers be required to send to the Treasurer abstract statements of receipts and disbursements, accompanied with vouchers, on the completion of each round trip.

The By-laws of the Company were submitted by the Secretary, and unanimously approved by the Directors.

A. B. GILBERT, *Secretary.*

W. B. ROBINSON, *President.*

Minutes of a meeting of the Directors of the Ontario Transportation Company (Limited), held at the Company's office, in the City of Belleville, on Friday, the 12th day of August, 1901, all the Directors being present, and the President in the chair. The minutes of the last meeting were read and confirmed.

After examining the statement of the profits of the Company for the season of 1901, presented by the manager, it was moved by Mr. Beatty, and seconded by Mr. Johnson, and carried unanimously, that a dividend of ten per cent., payable forthwith, be declared upon the capital stock of the Company, for the current year, and that \$1000 of the amount remaining at the credit of Profit and Loss, after the appropriation for dividend, be carried to Rest Account, and the balance remain at the credit of Profit and Loss.

It was moved by Mr. Ford, seconded by Mr. Baker, that the Directors be paid the sum of \$600 for their services.—Car

A. B. GILBERT, *Secretary.*

W. B. ROBINSON, *President.*

INSTALMENT LIST.

INSTALMENT No. 1.

In accordance with a resolution of the Board of Directors of the Ontario Transportation Company (Limited), the first call of twenty-five per cent. of the Capital Stock of the Company is due and payable on the 5th day of May, 1901.

When Received.	Subscribers' Names.	Shares.	Instalment.	Interest.	Amount Received.	Remarks.
1901 May	5 James Baker,	200	\$2,500		\$2,500	
	" E. Thompson,	50	625		625	
	" Fred Wilson,	75	937 50		937 50	
	" Francis Murphy,	100	1,250		1,250	
	" R. T. Bell,	20	250		250	
15	Ed. Harrison,	60	750	1 46	751 46	
	" L. W. Yeomans,	70	875	1 70	876 70	
	" W. B. Robinson,	100	1,250	2 43	1,252 43	
	" J. W. Johnson,	100	1,250	2 43	1,252 43	
20	S. G. Beatty,	75	937 50	1 82	939 32	
	" T. S. Ford,	25	312 50	60	313 10	
	" R. C. Hooper,	125	1,562 50	3 04	1,565 54	
		1,000	\$12,500 00	13 48		
	*Interest.		13 48			
			\$12,513 48		\$12,513 48	

Entered Cash Book, folio 1.

NOTE.—An Instalment List is prepared immediately after any call is made upon the Capital Stock. Three calls are made by this Company, two of 25 per cent. and a final one of 50 per cent., and consequently three lists are made out.

*You will observe that the call is due and payable on the 5th day of May. Those who failed to pay on that date are charged interest for the time overdue.

INSTALMENT LIST.

INSTALMENT No. 2.

In accordance with a resolution of the Board of Directors of the Ontario Transportation Company (Limited), the second call of twenty-five per cent. of the Capital Stock of the Company is due and payable on the 20th day of June, 1901.

When Received.	Subscribers' Names.	Shares.	Instalment.		Interest.		Amount Received.	Remarks.
1901 June	20 W. B. Robinson,	100	\$1,250				\$1,250	
	" J. W. Johnson,	100	1,250				1,250	
	" S. G. Beatty,	75	937	50			937 50	
	" T. S. Ford,	25	312	50			312 50	
	" R. C. Hooper,	125	1,562	50			1,562 50	
	" Jas. Baker,	200	2,500				2,500	
	" E. Thompson,	50	625				625	
	" Fred Wilson,	75	937	50			937 50	
	30 Francis Murphy,	100	1,250		2	43	1,252 43	
	" R. T. Bell,	20	250			49	250 49	
	" Ed. Harrison,	60	750		1	46	751 46	
	" L. W. Yeomans,	70	875		1	70	876 70	
		1,000	\$12,500	00	6	08		
	Interest.			6	08			
			\$12,506	08			\$12,506 08	

Entered Cash Book, folio 1.

INSTALMENT LIST.

INSTALMENT No. 3.

In accordance with a resolution of the Board of Directors of the Ontario Transportation Company (Limited), the final call, being fifty per cent. of the Capital Stock of the Company, is due and payable on the 20th day of July, 1901.

When Received.	Subscribers' Names.	Shares.	Instalment.	Interest.	Amount Received.	Remarks.
1901 July	20 W. B. Robinson,	100	\$2,500		\$2,500	
	" J. W. Johnson,	100	2,500		2,500	
	" S. G. Beatty,	75	1,875		1,875	
	" T. S. Ford,	25	625		625	
	" R. C. Hooper,	125	3,125		3,125	
	" Jas. Baker,	200	5,000		5,000	
	" Wm. Shannon,	50	1,250		1,250	
	" Fred Wilson,	75	1,875		1,875	
	" Francis Murphy,	100	2,500		2,500	
31	R. T. Bell,	20	500	1 07	501 07	
	" Ed. Harrison,	60	1,500	3 20	1,503 20	
	" L. W. Yeomans,	70	1,750	3 74	1,753 74	
		1,000	\$25,000 00	8 01		
	Interest.		8 01			
			\$25,008 01		\$25,008 01	

Entered Cash Book, folio 3.

INSTALMENT SCRIP.

(Instalment Scrip is issued to Shareholders as receipts for payments of calls upon stock.)

(STUB.)

(SORIP.)

Instalment Scrip No. 1.

Dated May 5th, 1901.

200 SHARES OF \$50 EACH.

1ST INSTALMENT, 25 PER CENT.,

\$2,500.

RECEIVED RECEIPT FOR SAME.

James Bahr.

Ontario Transportation Company (Limited.)

\$2,500.

INSTALMENT SORIP.

**200 Shares
OF \$50 EACH.**

Received of JAMES BAKER Twenty-five Hundred Dollars, being the first call of 25 per cent. on Two Hundred Shares of the CAPITAL STOCK OF THE ONTARIO TRANSPORTATION COMPANY (Limited), the said shares reserved and set apart for him or his assigns on condition that he or they fulfil the terms of subscription.

IN WITNESS WHEREOF we hereunto subscribe our names in the City of Belleville this 5th day of May, One Thousand Nine Hundred and One.

A. B. Gilbert,

Secretary.

W. B. Robinson,

President.



Instalment Scrip No. 1.

STOCK CERTIFICATE.

(When all the calls have been paid in, the instalment scrip is exchanged for certificates of stock. Shareholders receiving scrip or certificates acknowledge the receipt in the stub as shown.)

NOTE.—Instalment scrip and stock certificates should be bound as bank cheques are.

(STUB.)

(CERTIFICATE.)

Ontario Transportation Co.

(LIMITED.)

Stock Certificate No. 5,

For 100 Shares.

Issued to

J. W. JOHNSON.

Dated July 20th, 1901.

Received this Certificate.

J. W. Johnson.

Ontario Transportation Company (Limited.)

CAPITAL STOCK.

\$50,000.

STOCK CERTIFICATE.

NUMBER OF SHARES.

1,000

of \$50 EACH.

We *herby* Certify that J. W. JOHNSON is entitled to one Hundred Shares of Fifty Dollars each in the CAPITAL STOCK OF THE ONTARIO TRANSPORTATION COMPANY (Limited), transferable only on the books of the said Company by him or his lawful representative, on surrender of this certificate.

IN WITNESS WHEREOF, we have hereto affixed our signatures in the City of Belleville, this 20th day of July, One Thousand Nine Hundred and one.

A. B. Gilbert,

Secretary.

W. B. Robinson,

President.



THE TRANSFER BOOK.

(When transfers of stock are made, former certificates of stock, or instalment scrip, are cancelled, and new ones issued.)

TRANSFER BEFORE STOCK IS FULLY PAID UP.

Ledger Folios ;	JULY 13th, 1901.	50 SHARES. For value received, I hereby assign and transfer to WM. SHANNON, all my right, title and interest in the amount paid upon fifty shares of the CAPITAL STOCK OF THE ONTARIO TRANSPORTATION COMPANY (Limited), standing in my name on the Books of the said Company. WITNESS : <i>John Wilson</i> <i>S. Thompson.</i>
*G. L. 2, 7.	FROM E. THOMPSON	
*S. L. 1, 2.	TO WM. SHANNON,	
	FIFTY PER CENT. OF	
	FIFTY SHARES OF \$50 EACH	
	No. OF CERTIFICATE.	
	Cancelled.	
	Issued.	

When stock is transferred BEFORE being fully paid up, we make a Journal Entry, as shown in the Journal, and post the transaction to the General Ledger, because ORIGINAL issues of stock are charged to subscribers, and the debit balance must be transferred to the new holder. The transfer is also, of course, posted to the Stock Ledger, the entry in it being the reverse of that in the General Ledger, namely, seller Dr. to buyer, because in it the instalment paid has to be transferred to the new holder.

*G. L. refers to General Ledger, S. L. to Stock Ledger.

An undertaking by the transferee, to be bound by the transfer, should be written across the face of the transfer.

TRANSFER AFTER STOCK IS FULLY PAID UP.

(When stock is transferred AFTER being fully paid up, no journal entry is necessary, as there is no debit balance of unpaid stock to transfer, and the shareholder's account in the General Ledger is closed. All that is necessary is to enter the transaction in the Stock Ledger—debit the seller and credit the buyer—from the stub of the Transfer Book, which is folioed as in example.)

Folio:	AUGUST 16th, 1901.		50 SHARES. BELLEVILLE, AUGUST 6TH, 1901. For value received, I hereby assign and transfer to W. A. SHEPARD all my right, title and interest in Fifty Shares of the CAPITAL STOCK OF THE ONTARIO TRANSPORTATION COMPANY (Limited), standing in my name on the Books of the said Company. WITNESS: <i>Proper Cange</i> <i>J. W. Johnson.</i>
*S. L.	FROM	J. W. JOHNSON	
1.	TO		
2.		W. A. SHEPARD.	
FIFTY SHARES OF \$50 EACH.			\$2,500
No. OF CERTIFICATE.			
Cancelled.			
Issued.			
{ } { }			

*NOTE.—S. L. means Stock Ledger.

PURSER'S TRIP STATEMENT.

(This is an abstract from the books of the Purser, sent to the Head Office, accompanied with vouchers, at the end of each trip, and from it the journal entries of the income and expenditure of each Propeller are made in the General books. A comparison of the statement given, with the Journal and Cash entries for the second trip of the Propeller "Pacific," will show the connection between the entries and the statement.)

TRIP NO. 2.

YEAR 1901.

RECEIPTS AND PAYMENTS PROP. "PACIFIC," FOR TRIP FROM MONTREAL TO CHICAGO, COMMENCING JUNE 9TH, ENDING JULY 1ST.

<i>Dr.</i>		<i>Cr.</i>	
To balance from Trip No. 1.		By advances on Cargo as per Abstract	
" Freight for trip No. 2, as per Abstract		Manifest,	320 00
Manifest,	3290	" Wages,	500 00
" Passenger Receipts for Trip No. 2		" Fuel,	429 30
" Towage and Sundries,	429	" Provisions,	274 20
" Advances on Cargo, as per Abstract No.		" Canal and Harbor dues	133 90
" Grain over		" Commission and Agency,	429 37
" Sundries over,		" Lighterage and Elevating,	14 50
" Cash from Treasurer,		" Engineer's Department,	58 60
		" Mate's Department	4 20
		" Grain Short,	1500 00
		" Cash paid Treasurer,	
		" Outstanding acct as per statement,	3664 07
		" Cash on hand,	297 67
		Total Balance,	
			3961 74
			3961 74

RECEIVING AND DISBURSING AGENTS.

The statement on the preceding page and the method of treating it at the head office, illustrate the principle upon which any receiving and disbursing agent, handling cash, should be dealt with.

The agent should keep a cash book and ledger, and send in a summary or abstract to the head office at stated periods, showing on the Dr. side the cash received and the account for which it was received ; and on the Cr. side the payments made and the accounts for which they were made.

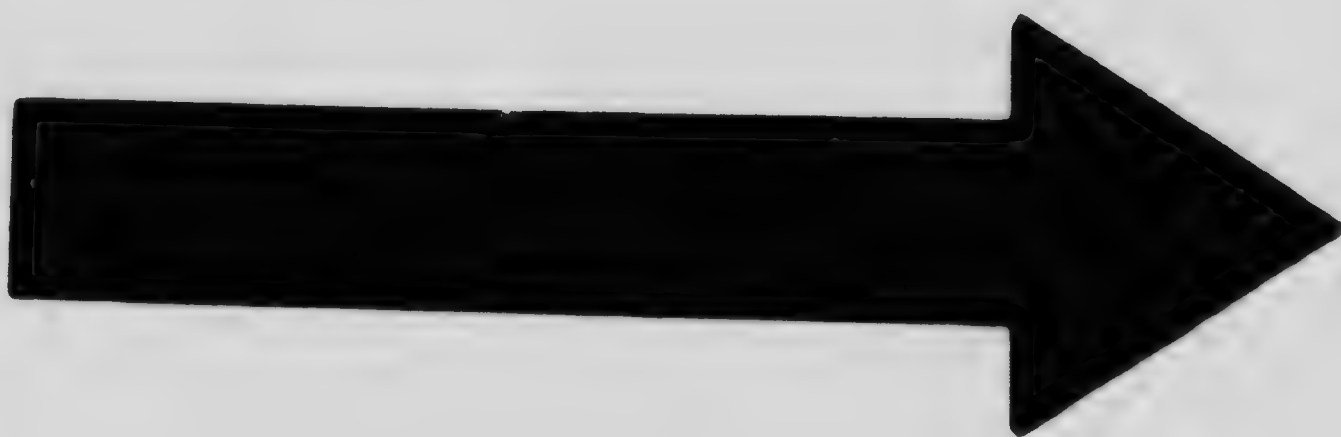
In the head office make a journal entry from the statement, debiting the agent for the total amount received, and crediting the various accounts for which the cash was received ; follow that with another entry, debiting the several accounts for which he made disbursements, and crediting him for the total. The difference between the two sides of the agent's account in the head office will agree with his balance of cash as shown in his cash book.

As the statement is accompanied by vouchers, it will be seen how easily the audit can be performed.

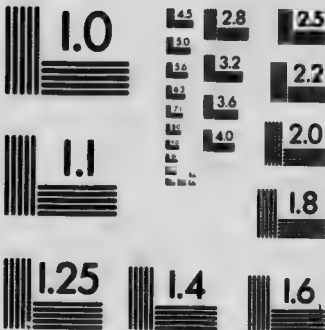
THE JOURNAL.

It is not necessary here, as it would be in a primary work on book-keeping, to explain the nature of the Journal ; hence we will confine our explanations to entries peculiar to Joint Stock Companies and this particular set.

The opening entry, "Sundries Dr. to Capital Stock," is the first entry of any kind made in Joint Stock Books. By it we debit the original subscribers for stock with the amount of their subscriptions, and place at the credit of the Capital Stock



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Account the total of these, which is the nominal capital of the Company until all calls upon stock are paid, when it becomes the paid-up capital. To find the paid-up capital of the Company at any time before all calls are paid, you would deduct from the amount at the credit of Capital Stock the several sums standing at the debit of the Shareholders. As payments upon stock are made, credit the amounts from the C. B. in the accounts of the shareholders in the General Ledger, and at the same time credit the accounts of the shareholders in the Stock Ledger.

Another way of dealing with the Capital Stock is to credit the account only as instalments are paid, and post at the same time to the credit of shareholders' accounts in the Stock Ledger, and not open accounts with the original stockholders in the General Ledger at all. (*This system is explained further on.*)

We prefer the system adopted in this set when it is intended to call up the Stock within a short time, for the reason that original stockholders bind themselves by their signatures on the stock list to pay all calls upon stock, and therefore we treat them as debtors to the Company, to be looked after as any other debtors till such time as their obligations are discharged. Stockholders are often desultory in their payments, and it is therefore proper and desirable that the sums owing by them should be shown in the Company's Ledger. This system likewise prevents confusion, as, having placed the total Capital Stock on record in the Ledger, no further dealing with the account is necessary until it is desired (if ever) that it shall be increased or diminished.

Only the aggregate amounts of receipts and expenditures of the several vessels are recorded in the general books. The Pursers being the receiving and disbursing agents, we open an account with each, charging him with all he receives and crediting him with all he pays out, as shown in his trip statement, which is an abstract from his books. When the Pursers, at the end of the season, pay their balances in to the head office, and are credited with any outstanding freights, their accounts close, as shown in the ledger. The Purser of the "Atlantic" closes the season without any outstanding freight charges; the Purser of the "Pacific" with accounts against two individuals, which are journalized to his credit and their debit, as shown in example.

A Journal entry transferring partially paid stock is made in the Journal and explained with the Transfer Book. The transfer of paid-up stock does not affect the General Ledger.

On July the 31st, the "Pacific," and on August the 4th, the "Atlantic," complete their third trips and their season's work, and between the last date and the 10th of August, when the Directors meet, the closing entries in the books are made. After the last Cash Book and Journal entries, of August 8th, are posted we take off a trial balance, as shown in example, and then proceed with the closing entries leading into Profit and Loss. As it is desirable, indeed necessary, that the profits of each vessel should be determined separately, we open a "Working Account" for each, to which we transfer its own income and expenditure from the general accounts, the difference

between the debit and credit being the net amount made or lost by each vessel. We next close into Profit and Loss any general accounts that have produced profit, and after that the working accounts of each vessel. Any general accounts showing a loss we now close into Profit and Loss, followed by the working accounts of any vessel that might be unfortunate enough to lose money. Having gone this far, you are aware of the net results of the Company's operations for the year, of which you inform the Directors at their meeting.

The Directors, finding that the sum of \$6,739.04 is the total profit for the year, being $13\frac{1}{2}$ per cent. upon the capital stock, proceed to the consideration of the dividend. It seldom occurs that any properly managed Company declares a dividend amounting to the full sum of its profits. It is customary to reserve a certain sum against possible future contingencies; hence we declare a dividend of 10 per cent., carry \$1000 to the credit of Rest Account, and allow the balance to remain at the credit of Profit and Loss, the two sums being a liability to the shareholders.

Canadian Joint Stock Banks usually have a "Rest Account" to the credit of which a certain sum is carried annually from the Profit and Loss account until it reaches a certain proportion of the Capital Stock; and it is customary also with them to leave a certain amount at the credit of Contingent Account, or Profit and Loss, or both. The prosperity of the Bank of Montreal, selecting it as the most prominent example, is in a large measure due to following this wise course. Its "Rest" now amounts to seven millions of dollars. (See the Bank's Statement further on.) That is, out of its earnings it has set aside from year to year sums that now amount to this figure. The Bank would have to lose in bad debts the sum of seven millions before its capital could be impaired. Besides the provision which the possession of a "Rest" makes against unforeseen contingencies and bad debts, it serves the exceedingly useful purpose of enabling the Company to pay as nearly as possible a uniform dividend from year to year. In any one year the profits of a Company will not be precisely similar to those of a previous year—they will vary, say, one-half to one and a half per cent., but the possession of a rest will enable the Directors to equalize the dividend, and preserve the Stock of the Company from the fluctuations in price, to which a constantly changing rate of dividend would subject it.

The Directors having declared a dividend of 10 per cent., we make the necessary Journal entry, debiting Profit and Loss, and crediting Dividend No. 1; we next make Profit and Loss Dr. to Rest Account for the amount to be placed to the credit of that account, which is the last Journal entry made. We immediately begin to pay out the dividend as per Dividend Sheet No. 1, which contains the names of the Stockholders taken from the Stock Ledger. Companies whose shares are constantly changing hands close their Transfer Books for about ten days, while the dividend cheques are being sent out. As each shareholder receives his dividend, he signs his name as a receipt upon the Dividend Sheet; or a cheque payable to his order, which will have his endorsement on the back when you receive it back from the Bank at the end of the month, will be sufficient. We credit Cash and charge Dividend with the sum total of the Dividend Sheet. We now close and post the Cash Account, and proceed to bring down the balances of the Ledger Accounts that are unclosed, which

*See Rest or Reserve, further on.

are the Asset and Liability Accounts, all others having been dealt with before the dividend entry was made. This being done, we make out the yearly Balance Sheet, or Asset and Liability, and Profit and Loss statements, which are usually printed for circulation among the Stockholders, after being examined and certified by the Auditor or Auditors.

JOURNAL.

BELLEVILLE, ONTARIO, May 5th, 1901

J. F. L. F.					
I					
3	Sundries Dr. to Capital Stock,			50000	00
1	W. B. Robinson, For 100 shares at \$50,	5000	00		
1	J. W. Johnson, " 100 " "	5000	00		
1	S. G. Beatty, " 75 " "	3750	00		
1	T. S. Ford, " 25 " "	1250	00		
1	R. C. Hooper, " 125 " "	6250	00		
2	James Baker, " 200 " "	10000	00		
2	E. Thompson, " 50 " "	2500	00		
2	Fred. Wilson, " 75 " "	3750	00		
2	Francis Murphy, " 100 " "	5000	00		
2	R. T. Bell, " 20 " "	1000	00		
2	Edward Harrison, " 60 " "	3000	00		
2	L. W. Yeomans, " 70 " "	3500	00		
		1000			
		as per stock list, (see page 67.)			
3	Sundries Dr. to L. Shickluna,			47440	00
3	Propeller "Pacific"				
	For Purchase \$23,000, Extras as per				
	bill \$540,	23540	00		
3	Propeller "Atlantic"				
	For Purchase \$23,000, Extras as per				
	bill \$900	23900	00		
		29th			
3	L. Shickluna Dr.,	37440	00		
3	To Bills Payable,			37440	00
		For the Company's Note at two months from date, for balance of purchase money of Propellers "Pacific" and "Atlantic."			
		Forwarded	\$134880	00	\$134880 00

BELLEVILLE, ONTARIO, June 8th, 1901.

L. F.		Forwarded.	134880 00		134880 00	
J. F. 2	4	Purser Propeller "Pacific" Dr. to Sundries,	1914	06		
	5	Freight, as per Trip Statement No. 1,			1840	56
	4	Passenger, " " " "			73	50
		"				
	4	Sundries Dr. to Purser Propeller "Pacific,"			1371	72
	5	Wages, as per Trip Statement No. 1,	210	64		
	5	Fuel, " " " "	67	18		
	5	Provisions, " " " "	218	10		
	5	Canal and Harbor Dues, " " " "	246	87		
	5	Commission and Agency, " " " "	121	49		
	6	Lighterage and Elevating, " " " "	391	27		
	6	Engineer's Department, " " " "	25	63		
J. F. 3	6	Mate's Department, " " " "	58	60		
	6	Grain Short, " " " "	31	94		
		12th				
	4	Purser Prop'ler "Atlantic" Dr. to Sundries,	1895	13		
	4	Freight, as per Trip Statement No. 1,			1797	63
	4	Passenger, " " " "			97	50
		"				
	4	Sundries Dr. to Purser Propeller "Atlantic,"			1292	90
	5	Wages, as per Trip Statement No. 1,	275	00		
	5	Fuel, " " " "	74	50		
	5	Provisions, " " " "	197	40		
	5	Canal and Harbor Dues, " " " "	225	30		
	5	Commission and Agency, " " " "	117	00		
	6	Lighterage and Elevating, " " " "	340	90		
	6	Engineer's Department, " " " "	17	50		
	6	Mate's Department, " " " "	39	40		
	6	Grain Short, " " " "	5	90		
		July 1st				
	4	Purser Propeller "Pacific" Dr. to Sundries,	3719	40		
	4	Freight, as per Trip Statement No. 2,			3290	40
	4	Passenger, " " " "			429	00
		"				
	4	Sundries Dr to Purser Propeller "Pacific,"			2164	07
	5	Wages, as per Trip Statement No. 2,	320	00		
	5	Fuel, " " " "	500	00		
	5	Provisions, " " " "	429	30		
	5	Canal and Harbor Dues, " " " "	274	20		
	5	Commission and Agency, " " " "	133	90		
	6	Lighterage and Elevating, " " " "	429	37		
	6	Engineer's Department, " " " "	14	50		
	6	Mate's Department, " " " "	58	60		
	6	Grain Short, " " " "	4	20		
Forwarded - - -			\$147237	28	\$147237	28

BELLEVILLE, ONTARIO, JULY 8th, 1901.

J. F. 4	L. F.	Forwarded - - -	147237	28	147237	28
	4	Purser Propeller "Atlantic" Dr. to Sundries.	3799	42		
	4	Freight, as per Trip Statement No. 2,			3192	42
	4	Passenger, " " " "			560	00
	6	Grain Over, " " " "			47	00
		"				
	4	Sundries Dr. to Purser Propeller "Atlantic,"			2086	24
	5	Wages, as per Trip Statement No. 2,	297	00		
	5	Fuel, " " " "	497	64		
	5	Provisions, " " " "	474	60		
	5	Canal and Harbor Dues, " " " "	253	40		
	5	Commission and Agency, " " " "	133	90		
	6	Lighterage and Elevating, " " " "	413	20		
	6	Engineer's Department, " " " "	5	60		
	6	Mate's Department, " " " "	10	90		
		13th				
	7	Wm. Shannon, Dr., - - -	1250	00		
	2	To E. Thompson. - - -			1250	00
		For stock Transfer this day of partially paid stock, as per Transfer Book.				
		31st				
4	Purser Propeller "Pacific" Dr. to Sundries.	4347	80			
4	Freight, as per Trip Statement No. 3,			3524	60	
4	Passenger, " " " "			784	20	
6	Grain Over, " " " "			39	00	
	"					
4	Sundries Dr. to Purser Propeller "Pacific,"			1912	95	
5	Wages, as per Trip Statement No. 3,	295	50			
5	Fuel, " " " "	429	00			
5	Provisions, " " " "	376	20			
5	Canal and Harbor Dues, " " " "	252	40			
5	Commission and Agency, " " " "	125	75			
6	Lighterage and Elevating, " " " "	379	40			
6	Engineer's Department, " " " "	20	50			
6	Mate's Department, " " " "	34	20			
	August 4th					
4	Purser Propeller "Atlantic" Dr. to Sundries.	3738	27			
4	Freight, as per Trip Statement No. 3,			2954	27	
4	Passenger, " " " "			784	00	
	"					
4	Sundries Dr. to Purser Propeller "Atlantic,"			1834	73	
5	Wages, as per Trip Statement No. 3,	232	50			
5	Fuel, " " " "	394	20			
5	Provisions, " " " "	420	50			
5	Canal and Harbor Dues, " " " "	220	90			
	Forwarded - - -	\$165640	06	\$166206	69	

BELLEVILLE, ONTARIO, AUGUST 4th, 1901.

L. F.		Forwarded	-	-	165640	06	166206	69
5		Commission and Agency	Statement No. 3,		115	23		
6		Lighterage and Elevating	" "		397	20		
6		Engineers' Department	" "		9	75		
8		Grain Short.	" "		29	50		
6		Mates' Department,	" "		14	95		
J. F.		August 8th						
5								
4		Sundries Dr. to Purser Propeller "Pacific,"					199	47
6		*Jas. Scott,			49	27		
6		Robt. Thompson,			150	20		
		For freight uncollected at end of season.						
		"			1000	00		
7		General Expense Dr. to Sundries,					400	00
7		A. B. Gilbert,	for 4 months' salary at \$100.				600	00
7		M. MacCormick,	" " " at \$150.					
(NOTE.—Trial Balance taken at this point.)								
		10th.						
7		Sundries Dr. to "Pacific" Working acc't,						
4		Freight,	for Season 1901.		8655	56	9981	26
4		Passenger,	" "		1286	70		
8		Grain Over,	" "		39	00		
		"						
7		"Pacific" Working account Dr. to Sundries,			5648	74		
			for Season 1901.					
5		Fuel,	" "				826	14
5		Provisions,	" "				996	18
5		Canal and Harbor Dues	" "				1023	60
5		Commission and Agency	" "				773	47
6		Lighterage and Elevating,	" "				381	14
6		Engineers' Department	" "				1200	04
6		Mates' Department,	" "				60	63
6		Grain Short,	" "				151	40
6		Insurance,	" "				36	14
4		"					200	00
		"						
7		Sundries Dr. to "Atlantic," Working acc't,					9432	82
4		Freight,	for Season 1901.		7944	32		
4		Passenger,	" "		1441	50		
6		Grain Over,	" "		47	00		
		"						
7		"Atlantic," Working acc't Dr. to Sundries,			5413	87		
			for Season 1901.					
5		Wages,	" "				804	50
5		Fuel,	" "				966	34
5		Provisions,	" "				1092	50
J. F.		Forwarded						
6								
					\$197882	85	\$195332	32

*The Pursers are charged with the total of the freight on each manifest, and as the Purser of the "Pacific" reports these amounts uncollected at the end of the season, the Company credits him and charges the parties owing.

BELLEVILLE, ONTARIO, August 10th, 1901.

L. F.	Forwarded - -	197882	85	195332	32
5	Canal and Harbor Dues, for Season 1901.			699	60
5	Commission and Agency, " " "			366	13
6	Lighterage and Elevating, " " "			1151	30
6	Engineer's Department, " " "			32	85
6	Mates' Department, " " "			65	25
6	Grain Short, " " "			35	40
4	Insurance, " " "			200	00
8	Sundries Dr. to Profit and Loss.			8379	04
3	Discount and Interest, For Season 1901.	27	57		
7	"Pacific" Working Account, Net gain Propeller "Pacific," season 1901.	4332	52		
7	"Atlantic" Working Account, Net gain Propeller "Atlantic," season 1901.	4018	95		
8	Profit and Loss Dr.	1640	00		
7	To General Expense. For Season 1901.			1640	00
8	Profit and Loss Dr.	5000	00		
8	To Dividend No. 1, For 10 per cent. on Capital Stock declared at a meeting of the Directors this day.			5000	00
8	Profit and Loss Dr.	1000	00		
8	To Rest Account, For amount transferred in accordance with the resolution of the Directors.			1000	00
		\$213901	89	\$213901	

NOTE—In closing accounts into Profit and Loss at the end of the year, it may or may not be desirable to ori
the closing entries in the Journal.

CASH BOOK.

1901		P.	First Instalment on 200 Shares of Stock.		\$		
May	5	1	To Jas. Baker,		\$2500	00	
"	"	2	" E. Thompson,	" "	625	00	
"	"	2	" Fred. Wilson,	" "	937	50	
"	"	2	" Fra. Murphy,	" "	1250	00	
"	"	2	" R. T. Bell,	" "	250	00	
15	"	2	" E. Harrison,	" "	750	00	
"	"	3	" L. W. Yeomans,	" "	875	00	
"	"	1	" W. B. Robinson,	" "	1250	00	
"	"	1	" J. W. Johnson,	" "	1250	00	
20	"	1	" S. G. Beatty,	" "	937	50	
"	"	1	" T. S. Ford,	" "	312	50	
"	"	1	" R. C. Hooper,	" "	1562	50	
"	"	3	" Discount and Interest on past due Instalments,		13	48	
29	"	3	" Bank of Montreal, Cheque 1.		10000	00	
Total to Debit of Cash.						\$22513	48
To balance brought down, \$68.48							
June	1	4	" Purser Propeller "Pacific," Remittance for Trip 1,		500	00	
"	8	4	" Purser Propeller "Atlantic,"	" "	475	00	
"	12	3	" Bank of Montreal, Cheque 2,		200	00	
"	"	3	" Bank of Montreal, Cheque 3,		200	00	
\$100, \$150, \$240,							
"	"	3	" Bank of Montreal, Cheques	4 5 6,	490	00	
"	1	"	" W. B. Robinson, Second Inst, on 100 Shares of Stock,		1250	00	
20	1	"	" J. W. Johnson,	" "	1250	00	
"	1	"	" S. G. Beatty,	" "	937	50	
"	1	"	" T. S. Ford,	" "	312	50	
"	1	"	" R. C. Hooper,	" "	1562	50	
"	2	"	" Jas. Baker,	" "	2500	00	
"	2	"	" E. Thompson,	" "	625	00	
"	2	"	" F. Wilson,	" "	937	50	
"	2	"	" Francis Murphy,	" "	1250	00	
30	2	"	" R. T. Bell,	" "	250	00	
"	2	"	" E. Harrison,	" "	750	00	
"	2	"	" L. W. Yeomans,	" "	875	00	
"	3	"	" Discount and Interest on past due Instalments,		6	08	
Total to Debit of Cash,						14371	08
Balance from last month.						68	48
						\$14439	56

NOTE.—The method of keeping the Bank a/c solely in the Cash Book is illustrated further over.

[illegible]

C. B. F. 3.

Dr.

CASH.

1901	L. F.				
July	1			To Balance brought over \$109.56.	
	1	4	To Purser Propeller "Pacific," Remittance for Trip 2	1500	00
	3	4	" Purser Propeller "Atlantic," " "	1600	00
	30	1	" W. E. Robinson, 3rd and last Instalment on 100 Shares of Stock,	2500	00
	"	1	" J. W. Johnson, " " 100 "	2500	00
	"	1	" S. G. Beatty, " " 75 "	1875	00
	"	1	" T. S. Ford, " " 25 "	625	00
	"	1	" R. O. Hooper, " " 125 "	3125	00
	"	2	" Jas. Baker, " " 300 "	5000	00
	"	2	" W. Shannon, " " 50 "	1250	00
	"	2	" F. Wilson, " " 75 "	1875	00
	"	2	" Francis Murphy, " " 100 "	2500	00
	31	2	" R. T. Bell, " " 20 "	500	00
	"	2	" E. Harrison, " " 60 "	1500	00
	"	2	" L. W. Yeomans, " " 70 "	1750	00
	"	3	" Discount and Interest on past due Instalments,	8	01
	"	4	" Purser Propeller "Pacific," Remittance for Trip 3.	2300	00
		7	Total to Debit of Cash,	\$30408	01
			Balance from last month,	109	56
				<u>\$30517</u>	<u>57</u>
Aug	1			To Balance brought down, \$417.57.	00
	2	3	To Bank of Montreal, Cheque 7,	37440	00
	4	4	" Purser Prop'r "Atlantic," Remittance from Trip 3,	1850	05
	5	4	" Purser Prop'r "Pacific" to close account for season,	233	95
	"	4	" Purser Prop'r "Atlantic," " " " "	493	
	"	3	" Bank of Montreal, Cheques 8, \$300, \$450,		00
	"	3	" Bank of Montreal, Cheque 9,	750	00
	12	3	" Bank of Montreal, Cheque 10, *	600	00
			" Bank of Montreal, " 11,	5000	
		7	Total to Debit of Cash,	\$46367	57
			Balance from last month,	417	
				<u>\$46784</u>	<u>57</u>

*NOTE.—Trial Balance taken at this point.

C. B. F. 4.

CONTRA.

Ср.

		L. F.				
1901 July	1	3	By Bank of Montreal,	Deposit,	\$ 1500	30
	8	1	" Bank of Montreal,	"	1550	00
	20	3	" Bank of Montreal,	"	21000	00
	31	3	" Bank of Montreal,	"	3750	00
	31	3	" Bank of Montreal,	"	2300	00
		7	Total to Credit of Cash, Balance,		\$3100	00
					417	57
					\$30517	57
Aug	2	3	By Bills Payable,	Retired our Note, favor L. Shickluna	\$37440	00
	4	3	" Bank of Montreal,	Deposit,	1850	00
	8	7	" A. B. Gilbert,	Balance of Salary,	300	00
	"	7	" M. MacCormick,	Balance of Salary,	450	00
	"	7	" General Expense,	Amount paid to Directors for services, as per resolution of the Board,	*600	00
	12	8	" Dividend No. 1,	Payments as per Dividend Sheet No. 1	5000	00
	"	3	" Bank of Montreal,	Depos	1144	57
		7	Total to Credit of Cash,		\$46784	57

*NOTE.—Trial Balance taken at this point.

GENERAL LEDGER.

The first accounts in the General Ledger are those of original subscribers for Stock, and the Capital Stock Account; the former close as soon as all calls of stock are paid; the latter is a permanent credit, only affected when the Capital Stock of the Company is either increased or diminished. In the event of the Ledger being closed before stock is fully paid up, close the accounts of shareholders "By Balance," as you would any other personal account showing a debt to the Company. In the Balance sheet put the matter thus:

Capital Stock subscribed, say.....	\$50,000
" " unpaid, 60 per cent.....	30,000
" " paid up.....	\$20,000

Capital Stock Account in General Ledger will agree with the first figures; the total debit balances against the shareholders in General Ledger will agree with the second figures: and the total of the amounts credited to shareholders in the Stock Ledger will agree with the last.

L. F. I.

Dr.		W. B. ROBINSON.										Cr.	
1901 May	5	To Capital Stock,	1	5000	00	1901 May	15	By Cash,	1	1250	00		
						June	20	" "	1	1250	00		
						July	20	" "	3	2500	00		
				\$5000	00					\$5000	00		

J. W. JOHNSON.

1901 May	5	To Capital Stock,	1	5000	00	1901 May June July	15 20 20	By Cash, " " " "	1 1 3	1250 1250 2500	00 00 00
				\$5000	00					\$5000	00

S. G. BEATTY.

1901 May	5	To Capital Stock,	1	3750	00	1901 May June July	20 20 20	By Cash, " " " "	1 1 3	937 937 1875	50 50 00
				<u>\$3750</u>	<u>00</u>					<u>\$3750</u>	<u>00</u>

T. S. FORD.

1901 May	5	To Capital Stock,	1	1250	00	1901 May June July	20 20 20	By Cash, " " " "	1 1 3	312 312 625	50 50 00
				\$1250	00					\$1250	00

R. C. HOOPER.

1901 May	5	To Capital Stock,	1	6250	00	1901 May June July	20	By Cash,	1	1562	50
							20	" "	1	1562	50
							20	" "	3	3125	00
				6250	00					6250	00

DR.

JAMES BAKER.

L. F. 2.

CR.

1901 May	5	To Capital Stock,	1	10000	00	1901 May	1	By Cash,	1	2500	00
						June	20	" "	1	2500	00
						July	20	" "	3	5000	00
				\$10000	00					\$10000	00

E. THOMPSON.

1901 May	5	To Capital Stock,	1	2500	00	1901 May	5	By Cash,	1	625	00
						June	20	" "	1	625	00
						July	13	" W. Shannon,	1	1250	00
				\$2500	00					\$2500	00

FRED. WILSON.

1901 May	5	To Capital Stock,	1	3750	00	1901 May	5	By Cash,	1	937	50
						June	20	" "	1	937	50
						July	20	" "	3	1875	00
				\$3750	00					\$3750	00

FRANCIS MURPHY.

1901 May	5	To Capital Stock,	1	5000	00	1901 May	5	By Cash,	1	1250	00
						June	30	" "	1	1250	00
						July	20	" "	3	2500	00
				\$5000	00					\$5000	00

R. T. BELL.

1901 May	5	To Capital Stock,	1	1000	00	1901 May	5	By Cash,	1	250	00
						June	30	" "	1	250	00
						July	31	" "	3	500	00
				\$1000	00					\$1000	00

EDWARD HARRISON.

1901 May	5	To Capital Stock,	1	3000	00	1901 May	15	By Cash,	1	750	00
						June	30	" "	1	750	00
						July	31	" "	3	1500	00
				\$3000	00					\$3000	00

L. W. YEOMANS.

1901 May	5	To Capital Stock,	1	3500	00	1901 May	15	By Cash,	1	875	00
						June	30	" "	1	875	00
						July	30	" "	3	1750	00
				\$3500	00					\$3500	00

DR.

CAPITAL STOCK.

CR.

					1901 May	5	By Sundries,	1	50000	00
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PROPELLER "PACIFIC."

1901 May	5	To L. Shickluna,	1	23540	00					
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PROPELLER "ATLANTIC."

1901 May	5	To L. Shickluna,	1	23900	00					
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L. SHICKLUNA (ST. CATHARINES).

1901 May	29	To Bills Payable,	1	37440	00	1901 May	5	By Sundries,	1	47440	00
	29	To Cash,	2	10000	00						
				\$47440	00					\$47440	00

BILLS PAYABLE.

1901 Aug	2	To Cash,	4	37440	00	1901 May	29	By L. Shickluna,	1	37440	00
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DISCOUNT AND INTEREST.

1901 May	10	To Profit and Loss,	6	27	57	1901 May	20	By Cash,	1	13	48
						June	30	" "	1	6	08
						July	31	" "	3	8	01
				\$27	57					\$27	57

BANK OF MONTREAL.

1901 May	5	To Cash,	2	5500	00	1901 May	29	By Cash,	1	10000	00
	15	" "	2	4125	00	June	12	" "	1	200	00
	20	" "	2	2420	00		12	" "	1	200	00
June	12	" "	2	900	00		12	" "	1	490	00
	20	" "	2	8000	00	Aug	2	" "	3	37440	00
	20	" "	2	4500	00		8	" "	3	750	00
July	1	" "	4	1500	00		8	" "	3	600	00
	8	" "	4	1550	00		12	" "	3	5000	00
	20	" "	4	21000	00			Balance,		3859	57
	31	" "	4	3750	00						
	31	" "	4	2300	00						
Aug	4	" "	4	1850	00						
	12	" "	4	1144	57						
				\$58539	57					\$58539	57
		To Balance,		3859	57						

NOTE.—When there is only one entry at the debit or credit of an account, and it represents an asset or liability, as in the case of capital stock, and the Propeller accounts, there is no necessity to balance them.

DR.

PURSER PROPELLER PACIFIC.

L. F. 4.
Cr.

1901						1901					
May	20	To Cash,	2	200	00	June	8	By Sundries,	2	1371	72
June	8	" Sundries,	2	1914	06	June	8	" Cash,	1	500	00
July	1	" "	3	3719	40	July	1	" "	3	1500	00
Aug	31	" "	4	4347	80	July	1	" Sundries,	3	2164	07
						Aug	31	" "	4	1912	95
						Aug	31	" Cash,	3	2300	00
							8	" "	3	233	05
							8	" Sundries,	5	199	47
				\$10181	26					\$10181	26

PURSER PROPELLER ATLANTIC.

1901					1901						
May	20	To Cash,	2	200	00	June	12	By Sundries,	2	1292	90
June	12	" Sundries,	2	1895	13	June	12	" Cash,	1	475	00
July	8	" "	3	3799	42	July	8	" Sundries,	3	2086	24
Aug	4	" "	4	3738	27	Aug	8	" Cash,	3	1600	00
							4	" Sundries,	4	1834	73
							4	" Cash,	3	1850	00
							8	" "	3	493	95
				\$9632	82					\$9632	82

FREIGHT.

1901						1901					
Aug	10	To Pacific w'ng, ac.	5	8655	56	June	8	By Pur'r. Pacific,	2	1840	56
	10	" Atlantic "	5	7944	32		12	" Atlantic,	2	1797	63
						July	1	" Pacific,	3	3290	40
							8	" Atlantic,	3	3192	42
							31	" Pacific,	4	3524	60
						Aug	4	" Atlantic,	4	2954	27
				\$16599	88					\$16599	88

INSURANCE.

1901	12	To Cash (Pacific,	2	200	00	1901	Aug	10	By Pacific'w'ng, ac.	5	200	00
June	12	" Cash (Atlantic).	2	200	00			10	" Atlantic "	6	200	00
				\$400	00						\$400	00

PASSENGER.

1901						1901					
Aug	10	To Pacific w'ng, ac.	5	1286	70	June	8	By Pur'r Pacific,	2	73	50
	10	" Atlantic "	5	1441	50		12	" Atlantic,	2	97	50
						July	1	" Pacific,	3	429	00
							8	" Atlantic,	3	560	00
							31	" Pacific,	4	784	20
						Aug	4	" Atlantic,	4	784	00
				\$2728	20					\$2728	20

L. F. 5.

Dr.

WAGES.

Cr.

1901						1901						
June	8	To Purser Pacific,	2	210	64	Aug	10	By Pacific w'ng ac.	5	826	14	
	12	" " Atlantic,	2	275	00		10	" Atlantic "	6	804	50	
July	1	" " Pacific,	3	320	00							
	8	" " Atlantic,	3	297	00							
	31	" " Pacific,	4	295	50							
Aug	4	" " Atlantic,	4	232	50							
				\$1630	64					\$1630	64	

FUEL.

1901						1901						
June	8	To Purser Pacific,	2	67	18	Aug	10	By Pacific w'ng ac.	5	996	18	
	12	" " Atlantic,	2	74	50		10	" Atlantic "	6	966	34	
July	1	" " Pacific,	3	500	00							
	8	" " Atlantic,	3	497	64							
	31	" " Pacific,	4	429	00							
Aug	4	" " Atlantic,	4	394	20							
				\$1962	52					\$1962	52	

PROVISIONS.

1901						1901						
June	8	To Purser Pacific,	2	218	10	Aug	10	By Pacific w'ng ac.	5	1023	60	
	12	" " Atlantic,	2	197	40		10	" Atlantic "	6	1092	50	
July	1	" " Pacific,	3	429	30							
	8	" " Atlantic,	3	474	60							
	31	" " Pacific,	4	376	20							
Aug	4	" " Atlantic,	4	420	50							
				\$2116	10					\$2116	10	

CANAL AND HARBOR DUES.

1901						1901						
June	8	To Purser Pacific,	2	246	87	Aug	10	By Pacific w'ng ac.	5	773	47	
	12	" " Atlantic,	2	225	30		10	" Atlantic "	6	699	60	
July	1	" " Pacific,	3	274	20							
	8	" " Atlantic,	3	253	40							
	31	" " Pacific,	4	252	40							
Aug	4	" " Atlantic,	4	220	90							
				\$1473	07					\$1473	07	

COMMISSION AND AGENCY.

1901						1901						
June	8	To Purser Pacific,	2	121	49	Aug	10	By Pacific w'ng ac.	5	381	14	
	12	" " Atlantic,	2	117	00		10	" Atlantic "	6	366	13	
July	1	" " Pacific,	3	133	90							
	8	" " Atlantic,	3	133	90							
	31	" " Pacific,	4	125	75							
Aug	4	" " Atlantic,	4	115	23							
				\$747	27					\$747	27	

DR.

LIGHTERAGE AND ELEVATING.

CR.

1901					1901						
June	8	To Purser Pacific,	2	391	27	1901	Aug	10	By Pacific, w'ng ac.	5	1200
	12	" Atlantic,	2	340	90			10	" Atlantic, "	6	1151
July	1	" Pacific,	3	429	37						04
	8	" Atlantic,	3	413	20						30
Aug	31	" Pacific,	4	379	40						
	4	" Atlantic,	4	397	20						
				\$2351	34					\$2351	34

ENGINEER'S DEPARTMENT.

1901					1901						
June	8	To Purser Pacific,	2	25	63	1901	Aug	10	By Pacific w'ng ac.	5	60
	12	" Atlantic,	2	17	50			10	" Atlantic "	6	32
July	1	" Pacific,	3	14	50						85
	8	" Atlantic,	3	5	60						
Aug	31	" Pacific,	4	20	50						
	4	" Atlantic,	4	9	75						
				\$93	48					\$93	48

MATE'S DEPARTMENT.

1901					1901						
June	8	To Purser Pacific,	2	58	60	1901	Aug	10	By Pacific w'ng ac.	5	151
	12	" Atlantic,	2	39	40			10	" Atlantic "	6	65
July	1	" Pacific,	3	58	60						25
	8	" Atlantic,	3	10	90						
Aug	31	" Pacific,	4	34	20						
	4	" Atlantic,	4	14	95						
				\$216	65					\$216	65

GRAIN SHORT AND OVER.*

1901					1901						
June	8	To Purser Pacific,	2	31	94	1901	July	8	By Purser Atlantic,	3	47
	12	" Atlantic,	2	5	90			31	" Pacific,	4	39
July	1	" Pacific,	3	4	20			10	" Pacific w'ng ac.	5	36
Aug	4	" Atlantic,	4	29	50			10	" Atlantic "	6	35
	10	" Pacific w'ng ac.	5	39	00						40
	10	" Atlantic "	5	47	00						
				\$157	54					\$157	54

JAMES SCOTT.

1901											
Aug	8	To Purser Pacific,	5	49	27						

ROBERT THOMPSON.

1901											
Aug	8	To Purser Pacific,	5	150	20						

*A grain laden vessel will scarcely ever deliver to a bushel the quantity signed for on the bill of lading—she will run short or over. The "Grain Short and Over" acct. is kept to show the loss or gain from this source for the year. In the closing journal entry at pages 89 and 90, you show how much each vessel ran over and how much each ran short for the season.

L. F. 7.

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Dr.

A. B. GILBERT, MANAGER.

Cr.

1901	June	12	To Cash,	2	100	00	1901	Aug	8	By Gen'l Expense	5	400	00
	Aug	8	" "	4	300	00							
					\$400	00						\$400	00

M. MACCORMICK, ACCOUNTANT.

1901	June	12	To Cash.	2	150	00	1901	Aug	8	By Gen'l Expense,	5	600	00
	Aug	8		4	450	00							
					\$600	00						\$600	00

GENERAL EXPENSE.

1901	June	12	To Cash,	2	40	00	1901	Aug	10	By Profit and Loss,	6	1640	00
	Aug	8	" Sundries,	5	1000	00							
	Aug	8	" Cash,	4	600	00							
					\$1640	00						\$1640	00

OFFICE FURNITURE.

1901	June	12	To Cash,	2	240	00							
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CASH.

1901	May	31	To Sundries,	1	22513	48	1901	May	31	By Sundries,	1	22445	00
	June	30	" "	1	14371	08		June	30	" "	1	14330	00
	July	31	" "	3	30408	01		July	31	" "	4	30100	00
	Aug	12	" "	3	46367	00		Aug	12	" "	4	46784	57
					\$113659	57						\$113659	57

WM. SHANNON.

1901	July	13	To E. Thompson,	4	1250	00	1901	July	20	By Cash,	3	1250	00
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PACIFIC WORKING ACCOUNT.

1901	Aug	10	To Sundries,	5	5648	74	1901	Aug	10	By Sundries,	5	9981	26
	Aug	10	" Profit and Loss,	6	4332	52							
					\$9981	26						\$9981	26

ATLANTIC WORKING ACCOUNT.

1901	Aug	10	To Sundries,	6	5413	87	1901	Aug	10	By Sundries,	5	9432	82
	Aug	10	" Profit and Loss,	6	4018	95							
					\$9432	82						\$9432	82

DR.

PROFIT AND LOSS.

L. F. 8.
CR.

1901 Aug	10	To Gen'l Expense,	6	1640	00	1901 Aug	10	By Sundries,	6	8379	04
	10	" Dividend No. 1.	6	5000	00						
	10	" Rest,	5	1000	00						
		" Balance,		739	04						
				<u>\$8379</u>	<u>04</u>					<u>\$8379</u>	<u>04</u>
								By Balance,		739	04

DIVIDEND No. 1.

1901 Aug	12	To Cash,	4	5000	00	1901 Aug	10	By Profit and Loss,	6	5000	00
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REST ACCOUNT.

						1901 Aug	10	By Profit and Loss,	6	1000	00
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STOCK LEDGER.

The use of a Stock Ledger will be apparent, if you consider how difficult it would be to keep accounts in the General Ledger with the individual stockholders of a Company, who hold stock to-day and may part with it to-morrow. For reasons that are given on pages 83 and 84, we open accounts in the General Ledger, as well as in the Stock Ledger, with original subscribers for stock, or those who receive a transfer of stock before all calls are paid; for all who may become possessed of paid-up stock by transfer subsequently, we open accounts in the Stock Ledger only. This book, therefore, contains nothing but the name and address of each shareholder, the number of shares of the capital stock of the Company held by each, and the instalments that have been paid upon them. The entries on the Cr. side are posted from the C. B. as payments upon stock are made. When paid up stock is transferred you have simply to make the seller Dr. to the buyer in the Stock Ledger from the stub of the Transfer Book, as in the example of August 6th; the General Ledger is not affected.

Transfers are posted as explained at pages 80 and 81.

Before all calls upon stock have been paid, the aggregate credits of this Ledger and the amounts at the debit of stockholders in the General Ledger should correspond with the amount at the credit of Capital Stock in the General Ledger. After all the calls have been paid, the aggregate credits of this Ledger should agree with the credit of the Capital Stock Account in the General Ledger.

Two other forms of Stock Ledger are given. That at page 118 is the form we recommend when it is not intended that the whole subscribed stock shall be called up for a number of years, if at all. Under this plan shareholders' accounts do not appear in the General Ledger.

Dr.

W. B. ROBINSON, BELLEVILLE.

Cr.

	Folio	Share		1901 May 15	By 1st Instalment,	Folio	Shares	
				20	" 2nd "	1	100	1250
				20	" 3rd "	1		1250
				20		3		2500

J. W. JOHNSON, BELLEVILLE.

1901	6	To W. A. Shepard, Balance,	66	50	2500	1901	15	By 1st Instalment,	1	100	1250
Aug					2500	May	20	" 2nd "	1		1250
						June	20	" 3rd "	3		2500
					<u>\$5000</u>	July					<u>\$5000</u>
								By Balance,			<u>\$2500</u>

By Balance,

82500

S. G. BEATTY, TORONTO.

[illegible]

T. S. FORD, WHITBY.

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R. C. HOOPER, KINGSTON.

[illegible]

JAMES BAKER, BELLEVILLE.

[illegible]

E. THOMPSON. MONTREAL.

1901 July 12	To. W. Shannon,	65	50	1250	1901 May 5	By 1st Instalment,	1	50	625
					June 20	" 2nd "	1		625
				\$1250					\$1250

For other forms of Stock Ledger, see pages 117 and 118.

S. L. F. 2.

Dr.

FRED WILSON, CHICAGO.

Cr.

Folio	Share	1901			Folio	Share		
		May 5	By 1st Instalment,	1	75	937	50	
		June 30	" and "	1		937	50	
		July 31	" 3rd "	3		1875	00	

FRANCIS MURPHY, MILWAUKEE.

Folio	Share	1901			Folio	Share		
		May 5	By 1st Instalment,	1	100	1250	00	
		June 30	" and "	1		1250	00	
		July 31	" 3rd "	3		2500	00	

R. T. BELL, BELLEVILLE.

Folio	Share	1901			Folio	Share		
		May 5	By 1st Instalment,	1	80	250	00	
		June 30	" and "	1		250	00	
		July 31	" 3rd "	3		500	00	

E. HARRISON, BELLEVILLE.

Folio	Share	1901			Folio	Share		
		May 15	By 1st Instalment,	1	60	750	00	
		June 30	" and "	1		750	00	
		July 31	" 3rd "	3		1500	00	

L. W. YEOMANS, BELLEVILLE.

Folio	Share	1901			Folio	Share		
		May 15	By 1st Instalment,	1	70	875	00	
		June 30	" and "	1		875	00	
		July 31	" 3rd "	3		1750	00	

W. SHANNON, BELLEVILLE.

Folio	Share	1901			Folio	Share		
		June 13	By E. Thompson,	65	50	1250	00	
		July 20	" 3rd Instalment	3		1250	00	

W. A. SHEPARD, BELLEVILLE.

Folio	Share	1901			Folio	Share		
		Aug 6	By J. W. Johnson,	66	50	\$2500	00	

TRIAL BALANCE.

FOL.	ACCOUNT.	Dr.		Cr.	
3	Capital Stock - - - - -			\$50000	00
3	Propeller "Pacific." - - - - -	\$23540	00		
3	Propeller "Atlantic," - - - - -	23900	00		
3	Discount and Interest, - - - - -			27	57
3	Bank of Montreal, - - - - -	7715	00		
4	Freight, - - - - -			16599	88
4	Insurance, - - - - -	400	00		
4	Passenger, - - - - -			2728	20
5	Wages, - - - - -	1630	64		
5	Fuel, - - - - -	1962	52		
5	Provisions, - - - - -	2116	10		
5	Canal and Harbor Dues, - - - - -	1473	07		
5	Commission and Agency, - - - - -	747	27		
6	Lighterage and Elevating, - - - - -	2351	34		
6	Engineer's Department, - - - - -	93	48		
6	Mate's Department, - - - - -	216	65		
6	Grain Short and Over, - - - - -			14	46
6	James Scott, - - - - -	49	27		
6	Robert Thompson, - - - - -	150	20		
7	General Expense, - - - - -	1640	00		
7	Office Furniture, - - - - -	240	00		
7	Cash, as per Cash Book,* - - - - -	1144	57		
		\$69370	11	\$69370	11

NOTE.—The balances only (not the footings) are given in above Trial Balance.

*The Cash Balance is taken from the Cash Book, as the account is not posted to date in the Ledger.

DIVIDEND BOOK.

ONTARIO TRANSPORTATION COMPANY, (Limited).

Dividend No. 1, 10 per cent. declared August 10th, 1901.

Names of Shareholders.	No. of Shares.	Amount of Dividend		Date.		Receipt.
W. B. Robinson, - -	100	\$500	00	Aug.	12	W. B. Robinson,
J. W. Johnson, - -	50	250	00	"	"	J. W. Johnson,
S. G. Beatty, - - -	75	375	00	"	"	S. G. Beatty,
T. S. Ford, - - -	25	125	00	"	"	T. S. Ford,
R. C. Hooper, - - -	125	625	00	"	"	R. C. Hooper,
Jas. Baker, - - -	200	1000	00	"	"	Jas. Baker,
Fred Wilson, - - -	75	375	00	"	"	Fred Wilson,
Francis Murphy, - -	100	500	00	"	"	Francis Murphy,
R. T. Bell, - - -	20	100	00	"	"	R. T. Bell,
E. Harrison, - - -	60	300	00	"	"	E. Harrison,
L. W. Yeomans, - -	70	350	00	"	"	L. W. Yeomans,
Wm. Shannon, - - -	50	250	00	"	"	Wm. Shannon,
W. A. Shepard, - - -	50	250	00	"	"	W. A. Shepard,
	1000	\$5000	00			

Entered C. B. 4.

NOTE.—When it is not possible to obtain the signature of a shareholder on the above form, send him a cheque payable to his order, and, as he will have to endorse it, the endorsement will serve as a receipt.

BALANCE SHEET.

First Annual Statement of Assets and Liabilities.

ONTARIO TRANSPORTATION COMPANY (LIMITED).

AUGUST 12th, 1901.

L. F.	ASSETS.	AMOUNT.		L. F.	LIABILITIES.	AMOUNT.	
3	Prop. "Pacific,"	\$23540	00	3	Capital Stock,	\$50000	00
3	" "Atlantic,"	23900	00	8	Profit and Loss,	739	04
3	Bank of Montreal,	3859	57	8	Rest,	1000	00
6	Jan. Scott,	49	27				
6	Robert Thompson,	150	20				
7	Office Furniture,	340	00				
		\$51739	04			\$51739	04

It will be observed that there are no liabilities to the public. There is the \$50,000 of stock fully paid up by the shareholders, and \$1739.04 undivided profits.

First Annual Profit and Loss Statement.

(OR REVENUE STATEMENT).

ONTARIO TRANSPORTATION COMPANY (LIMITED).

AUGUST, 12th, 1901.

DR.		CR.	
To General Expenses,	\$1640 00	By Discount and Interest,	\$ 27 57
" Dividend No. 1, 10 per cent. on Capital Stock,	5000 00	" Prop. "Pacific," net gain as shown in working ac.,	4332 52
" Balance, reserved for contingencies,	1739 04	" Prop. "Atlantic," net gain as shown in working account,	4018 95
	\$8379 04		\$8379 04

(\$1000 of which stands at the Cr. of Ret. Acct. and \$739.04 at the Cr. of Profit and Loss Acct.)

NOTE.—Elaborately ruled and complicated Balance Sheets, which would be understood by merchants and their bookkeepers, and in which no one outside of the office would have any interest, are not suitable for Joint Stock Companies. Statements of the year's working and of the Assets and Liabilities (accompanied by the Auditor's report) are what the individual shareholders are entitled to see, and they must be drawn so plainly that all can understand them, and in a manner suitable for publication. The above, and those of the Hastings Loan & Investment Society, page 111, are illustrations.

AUDITORS' REPORT.

The undersigned beg to report that they have carefully audited the general books and those of the pursers of the Propellers of the Ontario Transportation Company, (Limited), and have pleasure in stating that they approve of the system of book-keeping pursued; that they have examined thoroughly the receipts and expenditures of the vessels and those of the head office and find them correct; that they have verified the entries affecting the Company's Share Capital, and the transfers of Stock, and that the statements herewith presented are true abstracts from the Company's books, and correctly represent its financial position.

Belleville, August 25th, 1901.

CHAS. HAGERMAN, }
JOHN MACOUN, } Auditors.

DIRECTORS' REPORT.

It is customary for the Directors to submit a report regarding the past year's operations, and make suggestions as to the future, at the annual meeting of the shareholders.

The books of the Ontario Transportation Company, Limited, end here.

GENERAL AND TECHNICAL INFORMATION.

From this point to the end the reader will find General and Technical Information relating to Incorporated Companies.

To afford the student an opportunity of analyzing balance sheets (a most excellent practice) a number are given here. See also the financial statement of the Bank of Montreal, with analyses.

A LOAN COMPANY'S BALANCE SHEET.

TWENTY-SECOND ANNUAL REPORT OF THE HASTINGS LOAN AND INVESTMENT SOCIETY.

TO THE SHAREHOLDERS :

GENTLEMEN,—The Directors of the Society, in presenting to you their twenty-second Annual Report showing the position of the Society to the 31st December, instant, submit herewith for your consideration the following Statements of Receipts and Disbursements, Assets and Liabilities, and Revenue Account, together with the Auditor's Report thereon.

RECEIPTS.

Balance per last Statement.....	\$ 328 63
Repayments on Loans and Mortgages.....	42565 12
Repayments on Loans on Stock.....	50 00
Savings Bank deposits.....	89989 32
Received from Shareholders on Stock.....	525 00
Merchants Bank (withdrawals).....	105872 61
General Interest received.....	25548 39
Extra Interest received.....	473 64

\$265352 71

ASSETS.

Loans on Mortgages.....	\$440169 80
Loans on Stock.....	50 00
Due by Shareholders.....	5850 56
Office Furniture, safe &c.....	1074 30
At Credit in Merchants Bank.....	9130 83
Cash in Office.....	747 94

\$457023 43

DISBURSEMENTS.

Loans on Mortgages.....	\$ 26308 68
Merchants Bank (deposits).....	107740 69
Savings Bank (withdrawals).....	102056 54
General Interest paid.....	8300 41
Commission on Loans.....	88 00
Municipal Tax.....	270 73
Expenses of Management.....	2594 81
Contingent Fund Appropriation.....	4123 62
Dividend paid 1st Jan.....	\$6551.81
Dividend paid 1st July.....	\$6569.48

Cash in Office..... 13121 29
747 94

\$265352 71

LIABILITIES.

Capital Stock (Authorized \$250,000)	
Subscribed.....	\$225000 00
Deposits in Savings Bank.....	117518 56
Sterling Debentures £10,000 @ 9½.....	48666 67
Canadian Debentures.....	35000 00
Dividend due 1st Jan.....	6571 22
Reserve Fund.....	21000 00
Contingent Fund.....	\$1887 33
Added this year.....	\$1379 65

3266 98

\$457023 43

REVENUE ACCOUNT.

NET EARNINGS AND HOW DISPOSED OF.

Dividend paid 1st July.....	\$ 6569 48
Dividend Due 1st January.....	6571 22
Expenses of Management.....	2594 81
Interest on Debentures.....	4008 32
Interest on Bank Account.....	76 00
Interest on Deposits in Savings Bank.....	3928 05
Interest on Loans transferred.....	288 04
Commission on Loans.....	88 00
Municipal Tax.....	270 73
10% off Office Furniture.....	120 00
Surplus carried to Contingent Account.....	1379 65

\$25894 30

Interest earned.....	\$ 25420 66
Extra Interest received.....	473 64

\$ 25894 30

J. P. C. PHILLIPS,
Manager.

DEAR SIRS,—We hereby certify that we have made a careful audit of the books, accounts and securities of the Society to the 31st of December, and found them true and correct in every particular. In arriving at this conclusion we beg to state that we have carefully examined every voucher entered in the daily Cash Book during the year, counted the cash on hand, and verified the amount at credit in the bank; taken out balances of the Mortgage, Deposit and Stock Ledgers (independently of the Manager) and found them correct. We have also made a careful valuation of each Mortgage separately, and entered the amounts so ascertained, in detail, in a register kept for the purpose. In order to prove the correctness of the balances in the Deposit Ledger, we have sent notices to the Depositors, showing the amount standing to their credit at the end of the year. All of which is respectfully submitted.

R. T. MUSSEN, Accountant Bank of Commerce,
HERBERT GREAVES, late Accountant Merchants Bank of Can. } Auditors.

NATIONAL TRUST COMPANY OF ONTARIO (Limited).

The peculiarity of the following balance sheet is, that it is that of a company which started with an authorized capital of \$1,000,000, for which public subscription was invited at a premium of 25 per cent. and promptly taken up. Subscribers were given the option of paying the amount of their subscription by instalments of 10 per cent. every three months, or by paying in full if they so desired, with the result that \$648,550 has been paid on account of capital, together with \$162,137.50 on account of premium, which latter amount has been transferred to the Reserve Fund.

Loans on Bonds and Real Estate, with interest due and accrued	\$ 82812 13
Bonds and Stocks owned by Company, with interest and dividends due and accrued....	201525 80
Real Estate owned by Company, including Head Office premises at corner King and Victoria streets, Toronto, with rents due and accrued	270071 20
Cash on hand and on Deposit	263524 24
	\$817933 37

LIABILITIES.	
Capital Stock—	
Capital subscribed, \$1,000,000 (at 25 p. c. premium). Paid thereon :—	
5,582 shares, fully paid	\$558200 00
57 shares, 50 p. c. paid	2850 00
9 shares, 40 p. c. paid	360 00
10 shares, 30 p. c. paid	300 00
4,342 shares, 20 p. c. paid	86840 00
10,000 shares.	\$648550 00
Reserve Fund—	
25 p. c. premium on \$648,550 Capital Stock paid	162137 50
Profit and Loss	\$810687 50
	7245 87
	\$817933 37

Dr.

General expenses, including preliminary expenses, advertising, salaries, postage, etc....	5000	86
Balance carried forward	7245	87

Cr.

Gross Earnings to December 31st, 1898	12246 73
	<u>12246 73</u>

E. R. WOOD, Managing Director.

A LIFE INSURANCE COMPANY'S BALANCE SHEET.

CANADA LIFE ASSURANCE COMPANY.

FINANCIAL ABSTRACT.

Paid claims, endowments, surren- der values	\$1044826 55	Premium income (net)	\$2087994 45
Profits to policy-holders*	218481 29	Interest, rents, etc.	869047 44
Expenses, taxes, dividends	421248 00		
Balance	1272486 05		
	<u>\$2957041 89</u>		<u>\$2957041 89</u>
ASSETS, JAN. 1ST		LIABILITIES.	
Loans on real estate and on other securities	\$9128674 10	Reserve Fund (4%)	\$16704417 00
Securities owned	7043595 92	All other liabilities	410416 62
Real estate owned, including build- ings	1431750 78		
Cash on hand and other ledger as- sets	318864 98	Surplus over all liabilities*	\$17114833 62
	<u>\$17922885 78</u>		1564082 05
Net outstanding and deferred prem- iums	465578 99		
Interest and rents accrued	290450 90		
Total Assets	<u>\$18678915 67</u>		<u>\$18678915 67</u>

*Exclusive of \$97,355.82 bonus additions included in claims.

ANALYSIS.

Policy Claims. The claims by death paid during the year amounted to \$770,168.45, and endowment policies for \$128,846.92 having matured, these sums, as well as \$218,481.29 for profits, \$145,411.18 for surrenders, and an annuity of \$400,000, making in all \$1,263,307.84, were paid to policy-holders during the year.

Increase In Assets. The income receipts of the year were \$2,953,272.83, and deducting therefrom all payments to policy-holders for claims by death, for profits, and for matured endowment policies, as well as all other outlays, including expenses of management, there was left the sum of \$1,272,486.05, which increased the Company's assets to \$18,678,915.67.

Surplus. As appears by the abstract of assets and liabilities, after providing fully for the necessary reserve for all policies of the company, and for all its other liabilities, there is shown a surplus of \$1,564,082.05.

The total business in force at the close of the year was \$72,719,555.29 of assurances, under 33,407 policies, upon 24,469 lives.

(c)

A FIRE INSURANCE COMPANY'S BALANCE SHEET.

FINANCIAL STATEMENT OF THE PERTH MUTUAL FIRE INSURANCE
COMPANY, STRATFORD, ONTARIO, FOR THE YEAR ENDING
31ST DECEMBER, 1895. 32ND YEAR.

Dr.	Profit and Loss Account.		Cr.		
To Losses, 1894.	\$	4991 32	By Balance from 1894.	\$	72492 37
" Losses, 1895.		63027 91	" Premium, income.		92843 78
" Rebates and Abatements.		4652 39	" Extra Premiums and Fees.		497 42
" Re-Insurance.		9616 90	" Interest.		3181 50
" Agents' Com's and Bonuses.		15848 43	" Re-Insurance, losses.		14058 84
" Law Costs.		1034 22			
" Working Expenses.		9138 50			
" Balance.		74764 24			
	\$	183073 91		\$	183073 91

Assets and Liabilities.

Stratford Debentures.	\$ 12000 00	Amount required to re-insure all current risks on cash system.	\$ 33769 62
Mortgages.	45875 00	Due to agencies and other companies.	291 70
Accrued Interest.	811 00	Losses under adjustment.	2255 85
Bank of Commerce Savings Branch.	2225 01	Balance of assets over liabilities.	181069 00
Bank, current account.	3820 36	Claims for which no liability is admitted amounting to \$2950.	
Instalments.	1155 39		
Bills Receivable.	529 90		
Agent and other Co's' balances.	4770 65		
Furniture and Goad's plans.	3868 63		
Undertakings.	142330 32		
	\$217386 26		\$217386 26

Amount deposited with the Ontario Government, \$12,000.00.

Number of policies in force, 10,010.

Amount at risk, \$11,602,135.

BALANCE SHEET OF THE BELL TELEPHONE COMPANY.

REVENUE ACCOUNT, 31ST DECEMBER, 1896.

EARNINGS.

Exchanges	\$860525 79	
Less Unearned Rental Reserve	4957 12	
Long Distance Lines		\$855568 67
Private Lines		195721 93
Miscellaneous		12603 57
		69840 98
		<u>\$1133735 15</u>

EXPENSES.

Operating	\$773420 07	
Legal	8657 63	
Insurance	12945 16	
Bond Interest	32714 32	
Miscellaneous	1043 99	
		\$828781 17
Net Revenue for 1896		\$304953 98
Less Dividends (including Jan 15th, 1897)		253440 00
Balance Revenue from 1895		\$51513 98
		25047 37
Carried to Contingent Fund	\$20508 75	\$76561 35
Carried Forward to 1897	56052 60	
		<u>\$76561 35</u>

BALANCE SHEET 31ST DECEMBER, 1896.

ASSETS.

Plants and Patents, 31st December, 1895	\$4029270 99
Purchase of Patents, 1896	4291 75
Construction 1896	169005 05
Plants and Patents, 31st December 1896	\$4202567 79
Stores on hand	165407 76
Real Estate	538259 02
Stock in other Companies	162455 00
Sundry Debtors	52921 40
Due from Agencies	74082 22
Cash	144038 08
	<u>\$5339731 27</u>

LIABILITIES.

Stock Account	\$3168000 00
Bond Account	873500 00
Contingent Fund	\$910000 00
Add transferred from Revenue Account	20508 75
Add Bond Premium Account	19491 25
	<u>\$950000 00</u>
Revenue Account	56052 60
Unearned Rental Service	140799 99
Insurance Reserve	51729 28
Accident Reserve	8188 51
Bond Interest Reserve	10731 25
Sundry Creditors	80729 64
	<u>\$5339731 27</u>

Audited and certified.

P. S. ROSS & SONS,
Chartered Accountants.

CHAS. P. SCLATER,
Secretary-Treasurer.

TORONTO CANOE CLUB.

Statement of Receipts and Disbursements for the current year.

RECEIPTS.

Balance from last year—	
General account.....	\$ 186 34
Life membership account	186 00
	<u>\$366 34</u>
Subscriptions.....	\$1080 00
Racks.....	376 80
Lockers.....	60 50
	<u>\$1517 30</u>
Less arrears.....	141 00
	<u>1376 30</u>
Arrears paid.....	33 50
Life members elected in 1896.....	180 00
Interest on bank accounts.....	10 60
Proceeds from sale of tickets for Minstrel Show ..	60 75
Proceeds from sale of tickets for Annual Supper.....	100 00
Proceeds from sale of tickets for Hallowe'en Party ..	24 30
Proceeds from sale of Club Badges and Pins.....	70 50
Proceeds of Annual Regatta, July 4th	132 00
Amount collected as subscriptions for racing canoe ..	15 00

DISBURSEMENTS.

Rent..... \$600 00

General Expenses.

Membership ticket holders.....	\$30 00
Printing and stationery	31 75
Postage.....	16 61
Repairs to floor	13 00
Sundries	8 93

Regatta Committee.

GENERAL EXPENSES—

Prize.....	\$73 98
Printing and postage	8 25
Sundries.....	9 55
Expenses on war canoe	14 25

ANNUAL REGATTA—

Refreshments.....	\$50 00
Music	20 00
Printing programmes	14 7
Sundries.....	6 50

Racing canoe purchased..... 91 25

House Committee.

Furniture purchased..... 20 75

ENTERTAINMENT ACCOUNT—

Expenses of "Ladies' Nights"	\$39 15
Expense of Annual Supper.....	107 22
Expense of Saturday Nights.....	30 22
Expense of Smoking Concerts.....	10 00
Expense of Hallowe'en Party	19 78

EXPENSE ACCOUNT—

Fuel.....	\$65 70
Light	68 44
Water	15 40
Wages	218 00
Telephone.....	43 75
Subscription to papers	15 15
New lockers and repairs	84 05
Sundries, cleaning brushes, soap, oil, etc., 180 50	

Club badges and ribbon..... 630 99

Balances in Bank.

General account..... \$131 76

Life membership (being 75% of the amt. at credit of account on Nov. 30)..... 270 00

Cost of Minstrel Show

\$2369 29

\$2369 29

Statement of Assets and Liabilities.

ASSETS.

Furniture	\$ 966 24
Club Boats	139 50
ARREARS—	
Fees	\$ 116 50
Racks.....	21 00
Lockers.....	3 50
1895 Arrears.....	8 00
	<u>143 00</u>
CASH IN BANK—	
General account.....	\$ 131 76
Life membership account.....	270 00
	<u>401 76</u>
	<u>\$1650 50</u>

NO LIABILITIES.

ANOTHER FORM OF STOCK LEDGER.

JOHN JONES, MONTREAL.

Date			No. Shares	No. of Transfer.	Dr.	Cr.
1899						
May	30	By first Instalment 25 per cent.,	10			
June	30	" second " 25 "				250 00
July	30	" third " 50 "				250 00
1900						500 00
May	15	To James Brown, Balance,	5	21	500 00	
					500 00	
					\$1000 00	\$1000 00
		By Balance,	5			500 00
1900						
Dec.	31	*By Dividend Stock, 10 per cent.	1			50 00

JAMES BROWN, BELLEVILLE.

1900						
May	15	By John Jones,	5	21		500 00
Dec.	31	" *Dividend Stock, 10 per cent.	1			50 00

*As explained on page 126, Companies sometimes pay dividends in stock; above is an illustration of 10 per cent. stock dividend placed to the credit of shareholders. The entry would originate in the Journal. Instead of making Profit and Loss Dr. to Dividend, and Dividend to Cash, as is done when the dividend is paid in Cash, make

Profit and Loss Dr.

To Capital Stock.

For 10 per cent. on \$50,000 placed to Cr. of shareholders, as under, S.L.F. in lieu of cash dividend.

1 John Jones, on \$500, $\frac{1}{2}$ share \$50.

1 James Brown, on \$500, $\frac{1}{2}$ " \$50.

And so on, Cr. each shareholder with the shares or fraction of a share that will amount to 10 per cent. on the stock he has paid up.

FORM OF STOCK LEDGER USED WHEN THE ACCOUNTS OF SHAREHOLDERS DO NOT APPEAR AT ALL IN THE GENERAL LEDGER.

There are many Joint Stock Companies that either do not purpose making calls upon their shareholders for the whole of the stock subscribed, or postpone doing so for years. In that case we would recommend that the shareholders' accounts should appear only in the Stock Ledger. The following form is used by many of the leading insurance and other companies in Canada. As cash is received on account of shares,

make Cash Dr. to Capital Stock, and make entries in the Shareholders' accounts in the Stock Ledger as in example.

W. N. Ponton has here subscribed for 100 shares, and on May 15th pays a call of 25 per cent. On June 20th he pays another call of 25 per cent, so that on the 6th of August, when he transfers 25 shares to W. A. Shepard, he is in the position of having subscribed for 100 shares, with 50 per cent. paid on them. He is made debtor to Shepard, the figures under the various heads are changed to correspond with his position now, which is that of 75 shares subscribed and 50 per cent. paid. An account is opened with Shepard, who is shown to have subscribed (by transfer from Ponton) for 25 shares, upon which 50 per cent. is paid. The transfer would be posted from the transfer book, of course. By this method is shown both what the shareholder has paid and what he still owes.

W. N. PONTON, BELLEVILLE, ONT.

Date.	Particulars.	Fo. C. B. or No. of Trans'r	No. of Shares.			Subscribed Stock.			Paid thereon.		
			Dr.	Cr.	Bal.	Dr.	Cr.	Bal.	Dr.	Cr.	Bal.
1899											
May 15	Cash,	20	100		100	5000		5000		1250	1250
June 20	Cash,	25								1250	2500
Aug 6	To W. A. Shepard,	9		25	75		1250	3750	625		1875

W. A. SHEPARD, TORONTO, ONT.

Date.	Particulars.	Fo. C. B. or No. of Trans'r	No. of Shares.			Subscribed Stock.			Paid thereon.		
			Dr.	Cr.	Bal.	Dr.	Cr.	Bal.	Dr.	Cr.	Bal.
1899											
Aug 6	By W. N. Ponton,	9	25		25	1250		1250		625	625

PRICES OF SHARES.

Whether a company's shares are being sold at par, that is, the face value, at a premium or at a discount, they are always at par in the Company's books, and on the par value the dividend is paid. The first issue of shares at the inception of a company will usually be at par. Subsequent issues may be offered at a premium, if the old stock is above par in the market. After the stock authorized by the charter has been taken by subscribers, a company's shares are no longer within its own control. It has none to sell, and their real value will be the investing public's estimation of them, based upon the efficiency of the company's management, the past earnings and an estimate of its powers in that direction in the future. If you desire to buy stock in a company whose shares have all been taken up, you must find some holder willing to sell, either by your own seeking, or the employment of a stock broker. What you pay for the shares is a private bargain between yourself and the holder, with which the company cannot interfere. If the company whose shares you buy is a large and important concern, like a loan company, or a bank, the stock will be quoted on the stock exchange, and you will be guided in your purchase by the latest quotations.

THE MANNER OF CONDUCTING THE ANNUAL MEETING OF A JOINT STOCK COMPANY.

The by-laws of a Company usually provide that the annual meeting of the company shall be held on a certain day in each year, and that due notice shall be given to the shareholders by advertisement in the local papers.

We shall suppose that the annual meeting of the Ontario Transportation Company (Limited) is being held to-day, commencing at 11 o'clock in the forenoon. If any shareholder cannot be present he has the right to be represented by a proxy, who must himself be a shareholder (see form of proxy at page 68).

The voting upon important matters is usually by ballot, the individuals are of little account, for it is the shares that vote. This is a place where one man, for the time being, is not as good as another.

It is customary for the president to take the chair without a motion, but the shareholders have a perfect right to vote any shareholder into the chair. After the chairman has taken his place, either by custom or as the result of a motion duly moved, seconded and adopted, the next thing in order is the election of a secretary to the meeting. It is usual to elect the manager, or secretary, or accountant of the company to that position. We shall now record the form of the election, and as all such motions are made and carried in like manner, it will not be necessary to repeat the form.

W. J. Osborne rises, and says: "Mr. President, I move that R. J. Templeton be elected secretary of this meeting." A. C. Baker rises and says: "Mr. President, I beg to second the motion." The president asks: "Are there any other nominations?" There being none, he says: "You have heard the motion moved by Mr. Osborne, seconded by Mr. Baker, that Mr. Templeton be elected secretary of this meeting; those in favor of the motion will declare it in the usual way, by the up-lifted hand." The majority are evidently in favor of the motion, but he asks again: "Contrary, if any?" Then adds: "I declare the motion carried."

The secretary now takes his place and makes minutes of the proceedings in the rough, which he will write into the minute book in ink at some future time. The meeting is now organized. The first business is the reading of the minutes of the previous annual meeting of shareholders and of any special meetings during the year (not any of the meetings of the directors). The president asks: "Do the minutes stand approved?" There being no objection, he declares in the affirmative, and signs his name in the Minute Book.

The next order of business is the reception of the report of the directors, accompanied by the financial statement for the year and the auditors' report. The motion is usually made for the reception of these together. This is a matter of form and courtesy, just as the first reading of a bill in parliament or a by-law in a municipal council is. This motion for the reception being carried, the whole matter of the management and of the financial policy of the company is now open for discussion and criticism. For twelve months past the body of shareholders have had nothing to do or say about the running of the concern, and after to-day they will be in the same position for another year, so now is the time to commend, find fault, or make suggestions.

After a full discussion of the directors' report, the financial statement and the auditors' report (which were probably printed and distributed among the shareholders prior to the meeting, to facilitate discussion), the motion is made and carried for their adoption.

Motions, of which notice in accordance with the by-laws had been given, will next be considered, and after they are disposed of, notices of motion for future action will be given.

The next order of business is the election of auditors, who, for reasons given at page 121, are elected by the shareholders and not by the directors.

The general business being concluded, the last but very important matter, the election of the directors, now takes place. On motion two scrutineers are appointed who will determine who are elected. The secretary now prepares the ballot papers, and as he hands them out, he places the number of shares held by each shareholder on the back of his ballot; each share carries a vote. Only those who hold a certain number of shares, and are not in arrear in respect of any call thereon, are eligible for election to the board, as it is not desirable to commit the direction of the company's affairs to those who have only a slight financial interest in it. The ballots having been marked and collected, they are handed to the scrutineers, who mark down carefully on paper each vote, sum them up, and report to the president the result of the election, naming the 5 or 7 (the number usually forming a Board) that have received the highest number of votes, who, the president declares, are the duly elected Board of Directors for the ensuing year.

Sometimes when there is a small meeting, practically unanimous about the election of a certain number of members to the Board (perhaps the former members), a motion is made and carried that the president be authorized to deposit the ballot electing them.

The newly elected directors meet after the shareholders' meeting is over and elect the president, vice-president and members to various committees.

EXTRAORDINARY GENERAL MEETINGS.

Should it be necessary or desirable during the year to call a special meeting of the shareholders, due notice by circular should be sent to every shareholder, stating clearly the business proposed to be done, and at such meeting that special business only can be dealt with, unless the words "general business" have been added to the special business named.

AUDITING.

To audit, is to thoroughly examine and report upon the records of the transactions of a business, and upon the final exhibits made of their results. Auditors are chiefly employed on behalf of the shareholders of Joint Stock Companies, and of the taxpayers of municipalities. No one can properly perform the duties of an auditor who has not a thorough knowledge of double-entry book-keeping.

The value of an audit rests solely upon the competence, honesty and independence of the individuals who make it. Auditors are the trusted agents of the shareholders for the work they are appointed to perform.

If they are not thorough accountants it is unreasonable to expect that they will be able to detect accidentally or wilfully false entries, or form an intelligent opinion of the work they have undertaken ; hence a report under such circumstances is the very opposite of the security desired, and which an audit by competent men would afford to a company or corporation.

That auditors should be men of established character it is unnecessary to point out, and that the reliance to be placed upon the work they perform is largely reckoned by their independence, and their being uninfluenced by interested parties, is equally plain. Companies or corporations are equally bound to employ as auditors competent accountants who possess the moral qualities indicated, as they are to employ only such to keep their books. Do your duty if you assume such a responsible position as that of an auditor. I have known treasurers to become dishonest through the temptations which incompetent audits placed in their way, and I have known several who, when exposure came (as it will some time), took their own lives rather than face the disgrace involved.

Auditors for Joint Stock Companies are appointed by the shareholders at the annual general meeting. The reason why the shareholders, and not the directors, should make the appointments is very plain. The officers of the Company are largely controlled by the directors, and the audit being, so far as this connection goes, an examination of the faithfulness to the shareholders of both the officers and directors, it is necessary that the shareholders themselves should appoint the auditors.

The duty of auditors is laid down in the Company's By-laws, which would be somewhat as follows :—"One or more auditors shall be appointed annually by the shareholders at the annual general meeting, whose duty it shall be to examine and audit the books and accounts of the Company, and any and all documents having reference to the business of the Company, and prepare from the Company's books a balance sheet and abstract of its affairs, to be sent to the Directors on the last Monday in January, for presentation to the shareholders at the annual meeting, accompanied by any recommendations or suggestions they may deem proper."

The auditors upon being duly appointed should at once begin their duties, as a long delayed audit is far less effective than a prompt one, particularly if only one audit takes place in the year.

I would suggest to those who are engaged, or likely to engage, in auditing, that experience and common sense are, together with the thorough knowledge of accounting mentioned above, the requirements of an auditor. Take every opportunity of studying the printed statements of such institutions as banks, loan or insurance companies, read the best works on accounting and auditing, and be willing to learn from any source. No man—not even an auditor—"Knows it all."

Carrying on an Audit.

When commencing a new audit, ask for a list of the books in use, and study the system of accounting in vogue.

As the audit proceeds you will find it desirable to make notes on a piece of paper, or memorandum book, of matters that require to be further inquired into, or of improvements that may be possible in the book-keeping, or in the manner of preserving or arranging documents. You have a right to insist upon vouchers and documents of all kinds, to which you have to make reference, being systematically arranged for you. The person responsible for them should be at your elbow, and at your service.

An auditor should read over the minutes of the last shareholders' meeting, and of the directors' meetings throughout the year.

No rules can be laid down that will be an absolute guide to an efficient audit. Every competent auditor will have his own mode of procedure. Generally we may state that books of original entry should be examined in detail and their records followed into the ledger. All documents bearing upon the transactions recorded, such as cheques, notes, drafts, invoices, etc., should be at hand for examination.

The Cash Book will naturally receive the closest attention. Income is difficult to check. As far as possible receipts should have been given for all money received, and for each receipt there should be a stub. If you have difficulty in checking the income, it will be well to suggest methods of record that will be more satisfactory. Strike out in independent directions in search of verification of some transactions; outside confirmation in a few examples will give confidence in the ordinary detail.

The entries on the credit side of the Cash Book should agree with the vouchers. A few skirmishes out of the regular line of the vouchers will, as in the case of the debit side, be desirable.

Both sides of the Cash Book should be added. The balance on hand should be counted on the last day of the business year by the auditor, likely before the audit commenced. A better plan even than this, is to require the balance to be on deposit in bank. In that case there is no doubt that the balance is correct; in the other, the treasurer of the Company, if he were short, might borrow the amount of the balance for the purpose of the audit.

To be acceptable to an auditor, a voucher should not only be an acknowledgment of money paid, but there should be the proper authority for the payment, which is usually the vote of the Directors, as recorded in the minutes; or, if a municipality, the vote of the council as recorded in the minutes. A cheque payable to order and endorsed by the payee is evidence of payment to him, or a written receipt is evidence of payment, but neither of these should suffice an auditor, unless he has seen the proper record of the authorization.

Auditors should place their initials upon all vouchers and papers submitted to them. This will prevent a dishonest man from using them again; and when checking, they should adopt a distinctive tick and use colored ink or pencil, which it would be well to change at each balance.

If an auditor has any reason to suppose that the personal accounts in a ledger are unreliable, or if he desires to check them, he should send out a statement of account to each person, with a direct request for confirmation similar to the following:

THE BELL TELEPHONE CO. OF CANADA.

Messrs. Robinson & Johnson,
Ontario Business College.

Belleville, 19th March, 1901.

Sirs,

Being engaged in auditing the books of this office, I find you are charged with \$12.50 Rent, due 1st of March.

If this is incorrect please notify Ontario Department, Hamilton, at once, otherwise I shall assume that you admit the correctness of the charge.

(Signed) A. W. BARNARD,
Auditor.

The details having been examined, it is the final duty of the auditor to prepare, or, if already prepared, carefully examine, the Balance Sheet. The Balance Sheet might be mechanically correct and yet be unreliable. Assets might be included which are valueless; all the liabilities, such as unpaid accounts, might not be included. The loss and gain statement (or, as it is called sometimes, the revenue or working statement) might be falsified for a purpose.

The auditor's duty is to see, so far as he may be able, that the inventories were taken at actual worth, that bad debts and worthless notes were written off, that due allowance was made for depreciation in plant, office furniture and all property accounts: that if there are fictitious assets included in the balance sheet, such as Good Will, or Patents, that the fact is made clear. The auditor should ascertain whether all the debts owing by the Company or Corporation have been duly carried into the ledger and appear in the balance sheet.

The revenue statement, which shows the profits and losses, or working, of the concern, should be thoroughly analyzed, on the debit side to see that all amounts properly chargeable to revenue have been placed there, and not charged to asset accounts, or as the technical phrase is, "Charged to Capital;" also on the credit side to see that no fictitious profits are shown.

All securities held by the Company or Corporation should be examined. In case of a loan Company, the present value of each mortgage should be worked out. Insurance policies should be examined, and it would also be an auditor's duty to see that a sufficient amount of insurance was carried. If there are personal accounts standing in the ledger unsettled for a long time, it is the duty of the auditor to enquire the cause.

In connection with Loan and Deposit Companies, auditors should, by statement through the mail, inform every borrower of the balance against him, and every depositor of the balance at his credit.

The auditor should see that the Capital authorized has not been exceeded. He should ascertain whether the amounts at the credit of the stockholders on the Stock Ledger exactly correspond with the sum at the credit of the Capital Stock account in the General Ledger. He should examine the records of the transfers of stock for the past year.

If an auditor finds that dividends have been declared and paid out of Capital, his duty demands that he shall so report. (See section 58 of the Act at page 35 of this book.)

In Municipal Auditing the auditor must see that all income which should reach the treasury has been received.

Every cent on the tax rolls and interest on overdue taxes must be accounted for; and all other revenues, such as licenses, police court fines, dog taxes, frontage taxes, rents, etc. See that the sinking funds and the interest upon them are invested as authorized and required, and that the securities are sound.

See forms of Auditors' Reports at pages 110 and 112.

Questions in auditing, set at recent intermediate and final examinations of the Institute of Chartered Accountants, will be found further on. They will prove of great value to the student.

BANK ACCOUNT.

In connection with the books of the Ontario Transportation Company, Limited, in this work, it will be observed that a Bank Account is kept in the ledger, and that all transactions with the Bank are shown through it. This method has many advantages and is preferred by many Auditors, among them the author of this book. As, however, the practice of keeping the Bank Account solely in the Cash Book is quite a common one, the method of doing so is presented to the student in the following illustration taken from the Cash Book of a Water Works Company.

In this Cash Book the Method of
Cash Book only

DR. Cash.

BELLEVILLE

Date.	FROM WHOM RECEIVED.	Street.	Reg. No.	HOW RATED.					Reference No.	Total Amount
				Flat.	Lawn.	Meter.	Meter Rent.	Sundries		
1899										
July 3	Judge Fraleck,	Moir	645	9 50					22	9 50
9	Rev. D. Bogert,	W. Bridge	188	9 50					27	9 50
"	L. R. Terwilligar,	Moir	98	7 50					8	7 50
"	S. J. Wedden,	N. Front	64		6 00				11	6 00
"	D. McLean,	Alexander	75		6 00				17	6 00
"	Bank of Commerce,	Front	25	11 50					37	11 50
"	R. Tannahill,	George	180	9 50					6	9 50
"	Norris Bros.,	(Show)	5						25	2 50
"	D. Graham,	Charles	606		6 00			2 50	14	6 00
7	D. Coyle,	Front	684			29 30	50		1	29 80
"	R. J. Graham,	"	724			49 50	1 00		17	50 50
"	Geo. Ritchie & Co.,	"	52			36 54			24	36 54
"	Trenton Electric Co							26 27	39	26 27
"	W. J. Andrews,	Coleman	69	10 00					16	10 00
16	G. T. R.,		462	50					23	462 50
"	G. T. R. (Extra)					576 78			23	576 78
57	D. & D. Institute,		450						16	450 00
30	John Smith,	Dundas	42	20 00					13	20 00
				990	18 00	692 18	1 50	28 77	1730	34
Aug 1	Balance in Bank,	1114.93								
1	" on Hand,	3.99								

d of
only

Keeping the Bank Account in the
is Illustrated.

WATER WORKS CO.

CR. CASH.

Total Amount	Date.	BANK ACCOUNT.					TO WHOM PAID.	FOR WHAT ACCOUNT.	Voucher No.	Amount.			
		Dr.	Ck No.	Cr.	Dr. or Cr.	Bal.							
	1899												
0 50	July 7	Dep	65	00		Dr.	65						
0 50	8				76	39	00	"	26	G. T. R.—Freight.	Coal a/c.	17	39 00
0 50										Pay Sheet 6.	Services.	18	6 37
0 00										F. Baker.	" Carting.	19	50
0 00	10	"	150				176						
0 50	12				77	83	78	"	92 22	The Rathbun Co.	Coal.	20	83 78
0 50	16	"	1039	28				"	1131 50				
0 50	20				78	25	07	"	1106 43	Walker Co.	Mains.	21	25 07
0 00	"							"		Pay Sheet 7.	Services.	22	14 75
80	26				79	146	00	"	960 43	W. Alford.	Mains—on a/c.	23	146 00
0 50	27	"	450	00				"	1410 43				
54	29				80	275		"	1135 43	Standard Fuel Co.	Coal.	24	275 00
27	30				81	80	50	"	1114 93	J. W. Walker.	Pump House Ex.	25	80 50
0 00													
50													
78										Balance in Bank, 1114.93.			
0 00										" on hand, 3.99.		1118	92
34			1704	28		589	35	Dr.	1114 93				1730 39

1114.93

Dr. 1114.93

ISSUES OF STOCK.

The Ontario Transportation Company (Limited) at its inception, issued and obtained subscriptions for the whole capital stock (see the minutes at page 72 and the Stock List at page 67) ; and subsequently called it all up by three instalments (see the Instalment List for each call at pages 75, 76 and 77 respectively). Other Companies might not deem it advisable either to issue at once all the stock their Charter might authorize, or to call up so speedily the subscriptions. The action of the Directors in this connection would likely be determined by the prospect of employing profitably the whole or any part of the Company's capital. It is usual when making a new issue of Capital Stock to offer it to the existing Shareholders at a premium (if the Company's Stock be at a premium at all), rather under the market quotation of the old stock ; and should all the issue not be taken by the present Shareholders, the balance is offered to the public.

Companies frequently purchase their Plant or Real Estate for paid up Stock or pay for services rendered in the same way, and it is, perhaps, desirable that we should give an example here. For instance,—this Company might have bought the Propeller "Atlantic" from the builder, and paid for her with Stock, and the Journal entry for the transaction would have been :

Propeller "Atlantic" Dr.....	\$23,900	
To Capital Stock.....		\$23,900

For the vessel's cost, paid by the issue to L. Shickluna of 478 paid-up shares of the Company, which have been placed to his credit in the Stock Ledger.

And in the Stock Ledger, L. Shickluna, credit by 478 shares at \$50—\$23,900.

SERVICES PAID IN STOCK.

Again, the Directors might have determined to reward the President for his trouble in looking after the Company's interest closely, by giving him, say (in the case of a Company that had not issued all its stock), ten of the shares held in reserve, the Journal entry for which would be :—

Expense Dr.....	\$500	
To Capital Stock.....		\$500

For ten paid-up Shares voted to the President by a resolution of the Directors this day. And in the Stock Ledger, W. B. Robinson, credit by ten shares at \$50—\$500.

It will be observed that in neither of the examples given, though they are both original issues of Stock, do we charge the individuals receiving it, as is done when the Company is started; the reason is that there is nothing owing by the parties: they receive paid-up stock for value given, the Ledger account representing the thing received by the Company being charged; whereas in the other case, the parties subscribing are indebted to the Company until they have paid for their stock.

Dividends are not always paid in cash. In small Companies, with whom it is an object to retain their profits to add to their working capital, or make permanent improvements or extensions, shares and fractions of shares are frequently placed to the credit of the Stockholders in lieu of cash dividends. See the illustration of this in form of Stock Ledger, page 117.

It is not unusual with some Companies in their early days, though a fair profit may be earned, to refrain from declaring a dividend until a surplus capital be created out of profits.

Dividend Stock may be issued under such a circumstance as is mentioned on page 128.

Expressions Regarding "Capital" and "Revenue" Explained.

AUTHORIZED CAPITAL, means the amount of stock that may be issued by a Company under its charter, which it cannot exceed.

PAID UP CAPITAL, means the amount of stock that persons have agreed to take and pay for, as shown on the Stock List.

PAID UP CAPITAL, means the total amount paid upon the stock subscribed for.

Revenue Account.

The expression "Revenue Account," as used and understood by Accountants, does not refer to cash received and disbursed. It has reference to the profits and losses as they are finally exhibited under one ledger heading after being transferred from the working accounts.

A statement of Receipts and Expenditures (or Disbursements) is a statement showing cash received and paid out: On the other hand, a Revenue Statement is a statement showing the sources and amounts of the profits and losses of the business, or, in other words, the earnings and the cost of working. For example of each see the statements of the Hastings Loan & Investment Society at page 111.

Capital Account. There is a sense in which the expression "Capital Account," used in book-keeping, does not refer to *the* Capital Account. For example, you hear it said, "That item should not have been charged to 'Capital,' but to 'Revenue,'" which means that the item was not what might be considered an asset or resource, but an item of expense or loss to be written off into Loss and Gain Account at the end of the year. The following clipping from a newspaper is *apropos* :

"The financial success of the great Manchester ship canal, about which there has been much doubt, appears to be assured. A report from Manchester states that the revenues from tolls and dues for the five months ended May first last were \$33,701, which more than covered all expenses connected with the traffic, including wages, salaries, and stores, rates and a full proportion of office expenses. Maintenance was not included, and, until the work is complete, all outlay on works will be charged against *capital*."

Expenditure on "Capital Account" means outlay on things that are regarded as assets, which is charged to the respective accounts (not to one account, as the expression "charge to Capital Account" would imply) that represent those particular resources, and will remain at the debit of the accounts until they are disposed of. On the other hand, expenditure on "Revenue Account" refers to the outlay for expenses, or the cost of working. The items are charged to their respective accounts, but at the end of the year the balances at the debit of these accounts are transferred to the debit side of the Profit and Loss Account, and are thereby charged to (or if you like, against) Revenue. Occasionally at the inception of a company, preliminary legal and other expenses are regarded as capital expenditures for a few years, and are allowed to remain charged to their respective accounts ; but they should be written off by degrees yearly, until they finally disappear from the Ledger.

DIVIDEND STOCK.

Dividend Stock will be most easily explained by giving an example. We will suppose that a certain Gas Company has been in existence for a score of years in a prosperous community, enjoying the monopoly of supplying it with light. The price charged is high, and in consequence the Company is making large profits, so large, indeed, that the Directors fear that if the truth should become known, they would be confronted either with a demand for a reduction in the price, or the formation of a rival company. In order, therefore, to make it appear to the consumers that the profits are not excessive, they declare a reasonable dividend in cash, and place a certain amount to the credit of the Rest account, of which the public are informed, and they also distribute a Dividend in Stock of which the public are not informed. When this has been done for a number of years, the Capital Stock will have greatly increased,—we will say for our present purpose of illustration, to double the original money paid in. Now, while the annual profits upon the original capital (if they were known to the public) would appear excessive, the profit upon both the original stock and dividend stock combined is reasonable ; and the directors say : "Why, we are only making eight per cent. of profit on our capital, and cannot afford to sell gas for less than we are now charging."

The entries in the books of so fortunate a Company for distributing the profits as indicated above would be as follows:—

At the credit of Profit and Loss there stands, say, the sum of \$16,000, as the net profit for the year upon a capital of \$100,000, this is 16 per cent. A dividend of 7 per cent. in cash is to be paid, 2 per cent. is to be placed to the credit of Rest, and the balance is to be paid in stock:

Profit and Loss Dr. \$16,000	
To Dividend	\$7,000
" Rest*	2,000
" Capital Stock	7,000

When the dividend has been paid, that account will close. In the Stock Ledger, credit each shareholder with his proportion of the \$7,000, and issue certificates. In doing this, of course, there will be fractions of shares to be credited in some cases.

The above mode of creating stock is simply equivalent to the existing shareholders subscribing for new stock and paying for it out of the earnings of the old stock. The only objection that can be urged against it is, that it deceives the public regarding the Company's profits, and by the manipulation the Company maintains excessive prices for its wares. In the case of a Company in which the public has no interest, there can be no objection at all to the payment of stock dividends.

Profit and Loss Account not (usually) to be Closed into Capital Stock Account.

In a business not carried on as a Joint Stock Company, the net profit is carried to the proprietor's or partners' accounts. The net profit of a Joint Stock Company should *not* be carried to the Capital Stock Account (unless, as shown in example above, dividend stock is to be paid). Carry to the credit of the Dividend account the amount to be paid to the shareholders, and either leave the balance at the credit of Profit and Loss account, or close it into *Rest account. It stands, in either case as a liability to the shareholders, but it is not put in the form of Stock Certificates, and consequently is shown in an account apart from the Capital Stock, with which alone the Stock Certificates agree. Auditors should see that the amount at the credit of Capital Stock account exactly agrees with the Stock Certificates issued, and with the total of the amounts at the credit of the shareholders in the Stock Ledger.

*"Rest" is fully explained at page 85 and illustrated at page 154.

IMPAIRED CAPITAL.

THE RESULT OF RUNNING THE BUSINESS OF A JOINT STOCK COMPANY BEING A LOSS, HOW SHOULD THE LOSS AND GAIN ACCOUNT BE CLOSED?

The following question received from an accountant in New York City, with my reply, will suggest the line of action to be followed under the circumstances named :—

QUESTION.

Supposing a company should be so unfortunate as to lose money, what would be the proper disposition to make of the loss? Should it be credited to Profit and Loss and charged up against the Capital Stock?

ANSWER.

The Loss and Gain Account is the account that shows the loss you mention ; that is to say, when the various accounts that showed losses and gains throughout the year were closed into the Loss and Gain account, the debit side was found to be the larger, showing the net loss for the year. If there was a * "Rest" or "Surplus Capital" account in existence, as the result of undivided profits of former years, I would close Loss and Gain account, under these circumstances, into it. But if there was no "Rest" or "Surplus Capital" account, I would, in that case, open an account under such a heading as "Impaired Capital" and close Loss and Gain into it. If the loss is only for one year, it should be charged back next year to Loss and Gain account, and "Impaired Capital" account closed ; but if the loss were to go on, it would be necessary, before long, to reduce the Capital Stock account, and make a proportionate reduction in the shareholders' accounts in the Stock Ledger, and in the Stock certificates. Say that "Impaired Capital" account has been charged with the net loss for three consecutive years, and it now amounts to 25% of the capital paid in, I would, after the consent of the shareholders had been obtained, with legal sanction, make

Capital Stock Dr.

To Impaired Capital.

This entry, when posted to the General Ledger, would cut down the Capital Stock account to the right amount, and close "Impaired Capital" account. Each shareholder's account in the Stock Ledger would, correspondingly, be made Dr. to "Impaired Capital" for 25% of the sum at its credit. Former certificates of stock would be called in and new ones issued, the latter being 75% of the former.

* "Rest" is fully explained at page 85 and illustrated at page 154.

WATERED STOCK.

There is a method of creating stock, called watering, to which serious objection may be urged. It is the writing up of the value of assets beyond their cost or worth, the crediting of capital stock with the amount, and the issuing of shares to the extent of the inflation. In other words, it means the issue of stock against which there are no tangible assets. I can only suppose a very few instances where such a course would be honest or justifiable. One would be the case of a mine, for which say \$100,000 had been paid, but which proved, by the operation for years, to be worth a much larger sum.

The following newspaper paragraphs will be interesting in this connection :---

"The Gas Companies are playing their usual tricks upon the consumers. In Chicago all the existing companies have agreed to combine. The capital actually invested in them amounts to about \$10,000,000, but the amalgamation intends to water this up to \$25,000,000, in order to conceal the size of the dividends yielded by extortionate rates. In New York the Consolidated Gas Company was established in 1884, to swallow up the various companies then existing, which had invested \$11,215,000; the capital has now been watered up to \$39,078,000. The rule that should be enforced is, that corporations using such franchises should not be permitted to water their stock, and that their profits should be restricted to a reasonable annual percentage of the money actually invested."

"The Leather Trust, besides an issue of debentures, has \$60,000,000 of preferred stock and \$60,000,000 of common stock, the latter representing nothing but 'Good Will.'"

FICTITIOUS ASSETS.

In connection with watering stock, Companies sometimes create fictitious assets, such as Good Will, or Patents. For example, a Company wants to water the stock to the extent of \$50,000, creating and using Good Will for the purpose. Good Will is made Dr. to Capital Stock \$50,000, and new stock is issued to that extent and credited in the Stock Ledger to the persons to whom issued.

The "Preliminary Expense Account" of a Company, which represents the cost of formation and organization, is often continued on the Ledger for a few years, the

amount being reduced each year. Say the cost was \$1,000, write the amount off in five years by a journal entry each year :

Loss and Gain..... \$200 00
 To Preliminary Expense..... \$200 00

For 20% written off.

The following letter of inquiry, with my reply, will further illustrate the subject of "Fictitious Assets."

"A Joint Stock Company on starting business sells say Fifty Thousand Dollars of its stock at \$2.50 per share, the par value being \$5.00. What Journal Entry would you make to show that the Company was liable for the par value \$5.00 the purchasers of this stock would have to be credited for the full value of the stock and some account charged to make up the \$25,000 difference? I would be obliged if you would give me your entry."

"In reply to your favor of the 15th, I beg to say that you have the correct idea in your mind. Cash would be made Dr. to Capital Stock for the amount actually paid in, and a fictitious asset account would be made Dr. to Capital Stock for the difference between the amount paid in Cash and the par value of the shares. The name of this fictitious asset would likely be "Good Will" or it might be "Patents." The name, however, will depend upon the nature of the business and the circumstances that warrant the Company in considering stock at par for which only half of the par value has been received."

In the Stock Ledger each shareholder would be credited from the Cash Book with the payment in cash, and from the Journal with the fictitious credit.

UNCLAIMED DIVIDENDS.

For various reasons dividends occasionally remain unclaimed. Instead of allowing the amount of unclaimed dividends to remain at the credit of Dividend account, write it off each year as follows :

Dividend,
 To Unclaimed Dividend,

giving in the explanation the names of the Shareholders and full particulars of each case.

DEBENTURE STOCK.

Loan Companies are authorized by an amendment to "The Companies Act" (50-51 Victoria, Chap. 20, see page 48 of this book) to issue Debenture Stock. The directors may do this from time to time, with the consent of a majority of the shareholders, present in person, or represented by proxy at a meeting called for such purpose.

Debenture stock ranks with the ordinary debentures, and the holders are not answerable for any debts or liabilities of the Company.

Unlike ordinary debentures, however, Debenture Stock is registered at the head office of the Company. In the register the names and addresses of the several persons entitled to the Debenture stock are recorded, with the respective amounts; and all transfers of Debenture Stock are similarly recorded. This register is accessible for inspection and perusal at all reasonable times without fee, to any shareholder, mortgagee, bond-holder and debenture stockholder of the Company.

The Company delivers to every holder of Debenture Stock a certificate stating the amount held by him, and the rate of interest payable thereon.

The holders of Debenture Stock are not entitled to be present or to vote at any meeting of the Company. They are simply in the position of mortgagees of the Company, except that they have not the right to require re-payment of the principal of the Debenture Stock.

The Company may, from time to time, purchase in the open market and redeem any portion or portions of the Debenture Stock, which the directors, by a resolution duly made, determine not to be required for the business of the Company.

TREASURY STOCK.

In these days of active gold mine development, the public hear a good deal about "Treasury Stock." Ordinary trading or manufacturing Companies have no such thing.

Flaming advertisements in the newspapers are inviting the public to buy "Treasury Stock" in Mining Companies, shares having a par value of one dollar being offered for a few cents.

I have taken the precaution to consult sound legal authority in this matter and submit the following:—

MINING MEMORANDA.

By W. N. PONTON, M. A., Barrister.

Remember—(1) There are Brokers and brokers; deal only with those in good standing.

(2) If a venture succeeds, it is called an *investment*, if it fails it is called a *speculation*, but there are certain "wild-cat" schemes and inflated bubbles which cannot succeed, *e. g.*, where the capitalization is immensely disproportionate to the purchase price or value.

(3) Obtain copies of the prospectus and all circulars issued authoritatively by the Company or its promoters, and see not merely what names are attached, but what financial interest is represented by these names. Are the incorporators worthy of trust?

(4) Have proof that the Company is duly incorporated, and where; that the liability is limited, and that the shares offered, at whatever price, are considered fully paid up; that the difference between the price paid and the par value cannot be called for by the Company, nor demanded by the creditors.

(5) Be satisfied with the *identity* of the property advertised with that invested in. See that it is owned or leased by the Company and not subject to forfeiture; and if in a foreign country, the General Mining Law of that country should be consulted.

(6) Is the money raised on *first* sale of stock to be devoted to development? Has any development work been done? Will the working capital and location justify further expenditure on development before returns can be expected? Get a report of this from your own mining expert if the sum involved be a large one.

(7) If purchasing an "option" on private property, see that the land has been patented; that the description will admit of registration, and that witness makes Affidavit of Execution for this purpose.

(8) The Ontario Mines Act, 1892 (cap. 9) as amended by cap. 13 of Ontario Statutes, 1896, should be consulted as to royalties and Crown Regulations in this Province.

The Book-Keeping in Connection with Treasury Stock.

A number of capitalists, say five, have acquired a mining property, and they proceed to form a Joint Stock Company to develop it. They capitalize the property at half a million dollars, say 500,000 shares of \$1.00 each, of which each of the owners takes one-fifth. It will be seen that there is no money available for working the mine, nor do the original five propose to furnish it. Each one of them now donates to the Company a portion of his shares to be sold for the purpose of raising cash capital—hence the term "Treasury Stock."

The entries when opening the books of the Company would be:—

The Mine - - - - -	\$500,000
To Capital Stock - - - - -	\$500,000

Post to the General Ledger, and in the Stock Ledger credit each of the five holders with 100,000 shares.

Each of the holders now contributes 10,000 shares for "Treasury Stock." Make

Treasury Stock Contribution - - -	\$50,000
To Working Capital, - - - - -	\$50,000

and post to the General Ledger.

The Treasury Stock being purely a speculation on the part of the purchasers, it will, of course, sell at a discount. We will suppose that it is all sold at 50 cents on the dollar. Make

Cash - - - - -	\$25,000
Working Capital - - - - -	25,000
To Treasury Stock Contribution	\$50,000,

and post to the General Ledger, which will now be as follows:—

GENERAL LEDGER.

CAPITAL STOCK.

				By Mine . . .	\$50000	00
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MINE.

To Capital Stock,	\$50000	00				
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TREASURY STOCK CONTRIBUTION.

To Working Capital,	\$50000	00	By Sundries, . .	\$50000	00
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WORKING CAPITAL.

To Treasury Stock,	\$25000	00	By Treasury Stock,	\$50000	00
" Balance,	\$25000	00			
	\$50000	00			
			By Balance	\$25000	00

CASH.

To Treasury Stock,	\$25000	00			
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STOCK LEDGER.

When the original five shareholders (M. Bowell, L. W. Yeomans, W. B. Robinson, J. W. Johnson and J. W. London,) donated the 50,000 shares, each one in the Stock Ledger would be debited with 10,000 shares, and Treasury Stock would be credited with 50,000 shares, as shown below; and as Treasury stock is sold, each purchaser will be credited at par for the amount of stock he bought, and Treasury Stock account will be debited. Take, for example, the following purchases:

F. Spencer, 1,000; S. L. Horsford, 5,000; H. R. Reid, 4,000; R. A. Nimmo, 2,000; F. Davis, 8,000; E. Burbridge, 6,000.

M. BOWELL.

To Treasury Stock,	\$10000	00	By Capital Stock (100,000 shares),	\$100000	00
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L. W. YEOMANS.

To Treasury Stock,	\$10000	00	By Capital Stock (100,000 Shares),	\$100000	00
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W. B. ROBINSON.

To Treasury Stock,	\$10000	00	By Capital Stock (100,000 Shares),	\$100000	00
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I. W. JOHNSON.

To Treasury Stock,	\$10000	00	By Capital Stock (100,000 Shares),	\$100000	00
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J. W. LONDON.

To Treasury Stock,	\$10000	00	By Capital Stock (100,000 Shares),	\$100000	
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TREASURY STOCK.

To F. Spencer,	\$ 1000	00	By Contributions from		
" S. L. Horsford,	5000	00	M. Bowell,	\$10000	00
" H. R. Reid,	4000	00	L. W. Yeomans,	10000	00
" R. A. Nimmo,	2000	00	W. B. Robinson,	10000	00
" F. Davis,	8000	00	J. W. Johnson,	10000	00
" E. Burbridge,	6000	00	J. W. London,	10000	00
" Balance,	24000	00			
	\$50000	00			
			By Balance,	\$24000	00

F. SPENCER.

			By Treasury Stock, 1,000 Shares,	\$1000	
--	--	--	-------------------------------------	--------	--

S. L. HORSFORD.

			By Treasury Stock, 5,000 Shares,	\$5000	00
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H. R. REID.

			By Treasury Stock, 4,000 Shares,	\$4000	
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R. A. NIMMO.

			By Treasury Stock, 2,000 Shares,	\$2000	
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F. DAVIS.

			By Treasury Stock, 8,000 Shares,	\$8000	00
--	--	--	-------------------------------------	--------	----

E. BURBRIDGE.

			By Treasury Stock, 6,000 Shares,	\$6000	
--	--	--	-------------------------------------	--------	--

If all the Treasury Stock was sold, as is supposed in the third Journal entry, and the entries posted, the Treasury Stock account in the General Ledger and in the Stock Ledger would be closed. But, as it is likely that it would take some time to dispose of the Treasury Stock, the last example is given with the supposition that only 26,000 shares have been sold, and the balance of unsold Treasury Stock is brought down on the credit side of the account in the Stock Ledger.

The General Ledger account would correspond with it as follows, the balance being brought down on the debit side :—

TREASURY STOCK.

To Working Capital,	\$50,000	00		By Cash,	\$13,000	00
				" Working Capital,	13,000	00
				" Balance,	24,000	00
	\$50,000	00			\$50,000	00
To Balance,	\$24,000	00				

Legal in Ontario for a Mining Company to sell Shares at a Discount.

The subjoined letter from one of the best legal authorities removes all doubt with respect to the legality of Mining Companies in Ontario issuing shares at a discount; and also makes it clear that purchasers of shares bought from a Mining Company at a discount are non-assessable and free from personal liability.

BLAKE, LASH & CASSELS, Barristers & Solicitors,

TORONTO, October 1st, 1896.

MESSRS. EMELIUS JARVIS & CO., TORONTO.

GENTLEMEN,

In answer to your enquiry as to the title of THE EMPRESS GOLD MINING COMPANY OF ONTARIO, LIMITED, to Mining Location R. 569, north of Jackfish Bay, Lake Superior, containing 160 acres more or less, I beg to say that I have now before me the certificate of ownership under the Land Titles Act, dated 8th April, 1896, that the said Company are the owners in fee simple, with an absolute title, of that land, free from encumbrances. I have also before me the certificate from the Land Titles Office, dated September 21st, 1896, that the present title to the land is still vested in the Company free from encumbrances. This, as you know, under the statute relating to what is generally called the Torrens System, is conclusive evidence as to the ownership.

With reference to the issue of Shares at 25c. on the Dollar in the Company to be incorporated to take over this mine, I have to say that under the amendment to the Mines Act, shares in a Mining Company may be issued at whatever discount the Company thinks proper, and when so issued are non-assessable and free from personal liability. You have instructed me to see that the certificates to be issued for the Shares which you are offering for sale at 25c. on the Dollar are properly issued so as to make the Shares free from personal liability, and of course I shall see that this is done.

Yours truly,

[Signed]

Z. A. LASH.

Stock Subscription Form for Shares Bought at a Discount From a Mining Company.

THE EMPRESS MINING COMPANY, LIMITED. NON-PERSONAL LIABILITY.

To be incorporated in pursuance of The Ontario Joint Stock Companies' Letters Patent Act and The Mines Act 1892 and amending Acts, with the above name or such other name as the Government may Grant.

CAPITAL \$1,000,000.

In 1,000,000 shares of \$1.00 each.

Taken at 10c. on the dollar,	450,000 shares,
Now offered at 25c. on the Dollar,	200,000 shares.
Treasury Stock,	350,000 shares.

The undersigned do hereby severally subscribe for the number of shares of the above issue of 200,000 Shares set opposite our respective names, at twenty-five cents on the dollar in full of all liability thereon, payable in cash at the time of subscription hereto, said Shares to be issued to us free from assessments and with non-personal liability beyond said twenty five-cents on the dollar, the purchase money of said Shares to be deposited with THE TRUSTS CORPORATION OF ONTARIO, and interim receipts given therefor, and such money not to be paid over to said Company until said Shares are issued and certificates therefor delivered in accordance with the above terms.

SUBSCRIBER'S SIGNATURE.	NUMBER OF SHARES.	AMOUNT ENCLOSED.

The Meaning of the Terms "Limited Liability" and "Double Liability."

The term "Limited Liability" expresses the position of shareholders in Joint Stock Companies other than Banks. (See section 54 of the Act at page 34 of this book.) It means that the responsibility of shareholders for the liabilities of a Company does not extend beyond the amount of stock subscribed for. If that be fully paid up, no further calls can be made; but if it be not fully paid up, shareholders, in the event of its being required, can be compelled to pay the balance due upon the shares subscribed for.

The extent to which the resources of this Dominion have been developed is largely owing to the efforts of Joint Stock Companies, formed on the limited liability principle. Individuals will contribute of their means and become partners in a concern formed to develop a local or general industry, that will benefit the community, when doing so will involve no risk beyond a definite sum; while they would refuse to join an ordinary partnership, with its attendant risks and unlimited liability, formed to effect the same purpose. Refer to page 9 and read "*The advantages of Joint Stock Companies.*"

While the law thus limits the liability of shareholders in Joint Stock Companies, it requires that the public shall be informed that they are dealing with a partnership possessing exceptional privileges; and it is incumbent upon every Company (see section 79 of the Act at page 39 of this book) to affix the word "Limited" after its name on its sign over its place of business, on its seal, on its advertisements, on its business papers, and, in short, wherever its name is used.

The term "Double Liability" expresses the position of shareholders in Banks. In order to afford additional security to bill holders and depositors, the law makes the liability of stock holders double the amount of the subscribed capital. For example, the owner of 10 paid-shares of one hundred dollars each would be liable, in the event of the Bank's failure, to be called upon to pay in one thousand dollars, as well as lose the money already invested.

Unlimited liability in connection with Joint Stock Companies exists in Canada only in connection with a few very old Companies, but it is not uncommon in Great Britain. The failure, some years ago, of the City of Glasgow Bank was an illustration of the utter ruin that may come to the holders of shares in an unlimited liability Company.

Conversion of a Private Business or Partnership into a Joint Stock Company.

In Great Britain, Canada and the United States within the last twenty-five years the conversion of Private Partnerships into Joint Stock Companies has become very general. In all branches of commerce you will observe such signs as "John Arnott & Co. (Limited)," and on making inquiry regarding the change, it will often be found that it was effected at the death of some of the original partners, whose share in the concern has been inherited by a number of heirs who desire to retain the interest in the business, but take no part in its management, nor incur any individual responsibility for its liabilities. An old established firm that might otherwise cease to exist, for death dissolves a partnership, is thus preserved, the management remains undisturbed, the shares are in the hands of the families of the original partners, who, without risk or anxiety, enjoy the fruits of the labors of those whose heirs they are. When any of those desire to sell their shares they have simply to find a purchaser at will. It has latterly become quite common for manufacturers and traders in Canada to convert their concerns into Joint Stock Companies; the object being to extend their trade by the introduction of new capital, which could not be obtained on the ordinary partnership principle, but only on that of limited liability; or to give permanence and continuity to the business as in the following example, clipped from a Toronto newspaper:—

"Wyld, Grasett and Darling, the well known wholesale dry goods firm, is applying for incorporation as a Joint Stock Company, to be known as the "Wyld, Grasett, Darling Company (Limited)," with a capital stock of \$500,000. The object of the step is to secure the permanence of title and capital."

OPENING THE BOOKS.

In opening the books, when the former proprietor is to be paid for his business in paid-up stock of the new company, make the accounts representing the plant, merchandise, real estate and other property turned over to the Company, debtor for their respective values, to Capital Stock (there are no liabilities assumed in this example) : credit the man in the Stock Ledger, and give him a stock certificate for the number of shares. The new stock and stockholders will be dealt with as before described.

AN EXAMPLE OF CONVERSION WHERE LIABILITIES ARE ASSUMED AS WELL AS ASSETS.

Merchandise	<i>Dr.</i>	\$20,000.00	
Bills Receivable	"	5,000.00	
Personal accounts	"	7,000.00	
(each will be named),			
Plant	"	8,000.00	
	To Capital Stock,		\$40,000.00
Capital Stock <i>Dr.</i>		10,000.00	
	To Bills Payable		5,000.00
	" Personal accounts		5,000.00
	(each will be named).		

Post these entries to the General Ledger.

The above entries represent the assets and liabilities of the firm of John Jones & Co., which has, by Letters Patent of the Province of Ontario, been converted into a Joint Stock Company, under the name of "The John Jones Company, of Bowmanville (Limited)." The net capital of the firm at the time of its conversion into a Joint Stock Company, as shown above, is \$30,000, which is owned in equal proportions by John Jones and Robert Johnson. For this sum of \$30,000, paid up shares of the Capital Stock of the Company have been issued to the said John Jones and Robert Johnson, in equal proportions, and the number of paid up shares equivalent to \$15,000 have been placed to the credit of each in the Stock Ledger. The capital stock of the Company is to be \$50,000 and the \$20,000 (the difference between the capital of the old firm and the capital of the new Company) is sold at par for cash. For this make

Cash <i>Dr.</i>	\$20,000	
	To Capital Stock,	\$20,000

Post to the General Ledger, and also credit the respective holders with their shares in the Stock Ledger.

A Manufacturing Business Converted Into a Joint Stock Company.

We have converted our business into a Joint Stock Company under the Dominion Companies Act by the name of the Graham Manufacturing Co., of Belleville (Limited). The method of incorporating the company was as follows: The capital stock of the Company is to be \$75,000, divided into 750 shares of \$100 each. The Company assumes the assets and liabilities of the old business and gives the former proprietors, W. J. Osborne and A. M. Spafford, \$30,000 in paid up stock for the capital they had invested in it. Subscriptions for the balance of the stock (\$45,000) have been received and the whole amount has been paid in Cash, which is on deposit with the Bank of Montreal in Belleville.

Notice for one month was duly given in the *Canada Gazette* of intention to apply for letters patent, in which the requirements of the Act (Sections 3 and 4) were fully complied with. Within a month after the last publication of the notice, the petition for Letters Patent, containing the particulars required in section 5 of the Act, was sent to the Governor-in-Council, through the Secretary of State. The proofs required by section 6 of the Act accompanied the petition, and also the fee of \$150.

The Letters Patent have been received, and the following notice of incorporation appeared in the last issue of the *Canada Gazette*:

PUBLIC NOTICE.

Public notice is hereby given that under "The Companies Act" Letters Patent have been issued under the Great Seal of Canada, bearing date the fifth day of January, 1901, incorporating:

W. J. Osborne, manufacturer; A. M. Spafford, manufacturer; W. B. Robinson, accountant; J. W. Johnson, accountant; Carl Strom, Jeweller; W. N. Ponton, barrister; R. J. Graham, manufacturer; and C. M. Stork, banker; for the purpose of carrying on the foundry business by the name of the "Graham Manufacturing Co. of Belleville (Limited)," with a total capital stock of seventy-five thousand dollars, divided into seven hundred and fifty shares of one hundred dollars each.

Dated at the office of the Secretary of State of Canada, this twelfth day of January, 1901.

R. W. SCOTT,
Secretary of State.

We shall now open the books of the Yeomans Manufacturing Co. (Limited) by the following journal entry, based on the assets and liabilities of the old company, which the new company has assumed:

1	Real Estate,	-	-	-	-	-	-	\$20000	00		
1	Plant,	-	-	-	-	-	-	10000	00		
1	Merchandise,	-	-	-	-	-	-	8262	96		
1	Cash,	-	-	-	-	-	-	3984	26		
1	Bank,	-	-	-	-	-	-	905	25		
1	A. S. Page,	-	-	-	-	-	-	81	60		
1	Robert Abrams,	-	-	-	-	-	-	1164	50		
1	W. A. Foster & Co.,	-	-	-	-	-	-	61	05		
1	W. W. Jones & Co.,	-	-	-	-	-	-	35	05		
1	A. R. Patterson,	-	-	-	-	-	-	1033	33		
2	W. R. Coleman,	-	-	-	-	-	-	472	00		
2											
1		To Bills Payable,	-	-	-	-	-			16000	00
		" Capital Stock,	-	-	-	-	-			30000	00
	Now make										
1	Bank of Montreal,	-	-	-	-	-	-	45000	00		
1		To Capital Stock,	-	-	-	-	-			45000	00

for the new stock, subscribed and fully paid and the money on deposit in the Bank, for which Stock Certificates have been issued to the owners, at whose credit the respective amounts will be found in the Stock Ledger.

Open the General Ledger by posting the above entries as follows:

88

CR.

To Sundries,

1

472

88

BILLS PAYABLE.

By Sundries,

1

If...

16:00	00
-------	----

The following list of shareholders, with the amount of stock owned and fully paid by each, is taken from the Stock List:—

W. J. Osborne.....	130	Shares	\$13,000 00
A. M. Spafford.....	170	"	17,000 00
W. B. Robinson.....	100	"	10,000 00
J. W. Johnson.....	100	"	10,000 00
Carl Strom.....	75	"	7,500 00
W. N. Ponton.....	75	"	7,500 00
R. J. Graham.....	50	"	5,000 00
C. M. Stork.....	50	"	5,000 00
	<u>750</u>		<u>\$75,000 00</u>

Post the above to the Stock Ledger as follows :—

STOCK LEDGER.

DR.

W. J. OSBORNE (BELLEVILLE).

Cr.

By 130 shares,



66

A. M. SPAFFORD (BELLEVILLE).

By 170 shares,

17000

W. B. ROBINSON (BELLEVILLE).

By 100 shares,

10000

J. W. JOHNSON (BELLEVILLE).

By 100 shares,

10000

00

CARL STROM (BELLEVILLE).

By 75 shares,

7500

W. N. PONTON (BELLEVILLE).

						By 75 shares,	7500
--	--	--	--	--	--	---------------	------

R. J. GRAHAM (BELLEVILLE).

						By 50 shares,	5000
--	--	--	--	--	--	---------------	------

C. M. STORK (BELLEVILLE).

						By 50 shares,	5000	00
--	--	--	--	--	--	---------------	------	----

The sums at the credit of the accounts of the several stockholders in the Stock Ledger agree with the amount at the credit of Capital Stock account in the General Ledger. Each shareholder holds a certificate for the stock he owns, signed by the proper officers and bearing the Company's seal.

If a stockholder sells his shares he signs a transfer and delivers up his certificate. A new certificate is issued to the new holder, and in the Stock Ledger the seller is made debtor to the buyer. The Capital Stock account in the General Ledger is not affected by a change of owners.

The books of the Company are now open and ready to record the transactions.

Unsuccessful Attempt to Evade Creditors by Converting a Business into a Company.

DECISIONS IN COMMERCIAL LAW.

RIELLE ET AL. V. RIED ET AL.—A merchant who wished to get over the difficulty "which might arise in connection with his personal covenants on mortgages given by him," and "wished to place himself in a position to avoid payment of them," formed a company to take over his business. No outside assistance was invoked in the formation, all the stock being held by the merchant and his wife, with the exception of three shares distributed to three employees. The five shareholders were directors, and at a meeting held soon after the inception of the company the merchant was elected manager for a term of five years, at a salary of \$2000 a year. On the same day, the shareholders, the same five individuals, decided to ratify this act in meeting assembled. One week later, by-laws were enacted, a call of 10 per cent. on stock made, and the salary of the manager increased another \$1,000 per annum. The business then continues under unchanged management, and the profits are received by the same individual as before the organization, with this difference, that the property is ostensibly beyond the reach of the former creditors. It was in an attack upon this point that the suit arose. Judgment was given for the plaintiff, declaring that the company was the agent of the defendant, and that all transfers of property made by him to the company were, as against the creditors of the plaintiff, fraudulent and void, and that the assets of the company were a part of the general assets of the defendant, and liable to be applied in the satisfaction of his debts, subject to the rights of the creditors of the company. This decision must do much to prevent the formation of "one-man" companies with the object of defeating creditors.

Book-Keeping for a Joint Stock Company carrying on a Printing, Publishing and Binding Business.

The complete set of accounts illustrating Joint Stock Company Book-keeping in this work is in connection with a forwarding company. In the following is suggested a comprehensive system applicable in principle to any manufacturing company, the business of Printing, Publishing and Bookbinding being chosen for the purpose.

It is not only necessary that the results of the business as a whole should be known at the end of each year, but it is essential that the results of each branch should be definitely and accurately ascertained.

One General Ledger will suffice, but such accounts must be kept in it as will record the business of each branch, so that a reliable revenue (or loss and gain) statement with respect to each department will always be available.

We need not do more than mention the ordinary accounts to be kept, such as the Capital Stock account, the Cash account, the Bills Receivable and Bills Payable accounts, Discount and Interest, and the Personal accounts. These need no explanations here, they relate to the business as a whole. The important matter is to create and keep the proper working accounts for each branch.

There should be the following:— "Job Plant," to which would be charged the cost of the machinery, type, etc., belonging to that department; "Job Work," to which all material used, such as paper, ink, etc., would be charged, and to which all earnings in that department would be credited; "Job Wages," to which the men's wages would be charged; "Job Expense," to which general items of expense in connection with that department would be charged.

There should be "Newspaper Plant," to which would be charged the cost of the machinery, type, etc., of that department; "Publishing," or "News," to which would be charged the cost of paper and ink, and whatever other material is required in the publication of the newspaper; "Newspaper wages," to which the men's wages would be charged; "Newspaper Expense," to which general items of expense in connection with that department would be charged; "Advertising," to which all advertising would be credited; "Subscriptions," to which all subscriptions would be credited.

There should be "Bindery Plant," to which would be charged the cost of the machinery, tools, etc., belonging to that department; "Bindery Work," to which all material, such as leather, cloth, straw board, paper, gold-leaf, thread, etc., would be charged, and to which all earnings in that department would be credited; "Bindery Wages," to which the wages of the bindery hands would be charged; "Bindery Expense," to which general items of expense in connection with that department would be charged.

At the end of the year the result of each branch will be determined by closing the accounts which show revenue and expenditure into a separate "Working Account" for each department.

For example :

(1)

JOB OFFICE WORKING ACCOUNT.

To Job Plant ac., (written off for depreciation)	\$ 300	00	By Job Work ac., (Profit shown)	\$15000	00
" Job Wages ac.,	9700	00			
" Job Expense ac.,	500	00			
" Loss and Gain ac. (for net gain on job office)	4500	00			
	<u>\$15000</u>	<u>00</u>		<u>\$15000</u>	<u>00</u>

NEWSPAPER WORKING ACCOUNT.

To Newspaper Plant ac., (written off for depreciation)	\$ 200	00	By Advertising ac.,	\$25000	00
" Publishing ac.,	14000	00	" Subscription ac.,	18000	00
" Newspaper Wages ac.	15000	00			
" Newspaper Ex. ac.,	800	00			
" Loss and Gain, (for net gain on newspaper)	13000	00			
	<u>\$43000</u>	<u>00</u>		<u>\$43000</u>	<u>00</u>

BINDERY WORKING ACCOUNT.

To Bindery Plant ac., (written off for depreciation)	\$ 100	00	By Bindery Work ac.,	\$ 5000	00
" Bindery Wages ac.,	2500	00			
" Bindery Expense ac.,	700	00			
" Loss and Gain, (for net gain on bindery)	1700	00			
	<u>\$ 5000</u>	<u>00</u>		<u>\$ 5000</u>	<u>00</u>

The general office expenses, such as book-keeper's salary, rent, taxes, interest, etc., would be shown through a General Expense account, which would be closed into Loss and Gain account at the end of the year. We will suppose that it amounts to \$2,500. The Loss and Gain account will show the following as the result of the business for the year :

LOSS AND GAIN.

To General Exp. ac.,	\$ 2500	00	By Job Working ac.,	\$ 4500	00
Balance, Net Profit (to be carried to the credit of Dividend and Rest.)	16700	00	" Newspaper work'g ac.	13000	00
			" Bindery working ac.	1700	00
	<u>\$19200</u>	<u>00</u>		<u>\$19200</u>	<u>00</u>

We will suppose the assets and liabilities to be as follows :—

ASSETS AND LIABILITIES STATEMENT.

ASSETS.		ASSETS.	LIABILITIES.
Job Office Plant		\$ 6000	00
Job Office Stock		2800	00
Newspaper Plant		8500	00
Newspaper Stock		1700	00
Bindery Plant		3000	00
Bindery Stock		800	00
Office Furniture		300	00
General Plant		700	00
Cash		350	00
Bank of Commerce		3000	00
Personal Accounts receivable		1020	00
(as per statement in detail)			
Bills Receivable		2750	00
LIABILITIES (to the public).			
Bills Payable			2500 00
Personal accounts payable			750 00
(as per statement in detail.)			
LIABILITIES (to the Shareholders).			
Rest			5000 00
Capital Stock			22670 00
		\$30920 00	\$30920 00

In order to secure sound and accurate book-keeping, and arrive at definite results such as those exhibited above, the book-keeper and foreman of each of the departments of the business must work in harmony, and with the disposition to be painstaking and exact. The Job foreman will keep a blotter, or day book, in which he will enter all work done in his department, and the foreman of the Bindery will do the same. From these books, say at the end of each week, the book-keeper will charge the various parties direct to the ledger, and credit the "Job Work" and "Bindery Work" accounts respectively, with the amount of work done on credit. Work for which Cash is received will be entered in the blotters, but the amounts will be carried into an inner column headed "Cash," the column into which the amounts to be charged are carried will be headed "time." The additions of these columns each week will show the amount of business done. Just as soon as money is received for a Job that has not been charged to an individual it will be entered in the Cash Book and the letters C. B., with the folio, should be placed opposite the entry in the blotter. The auditor will thus be able to ascertain whether work done is properly accounted for. It must either have been charged to somebody in the ledger or been charged to Cash. We would suggest that it might be desirable to have order blanks (with stubs) containing full particulars of the work to be done, which would be made out in the office and handed to the foreman as his warrant for proceeding with the work. He would place the date when he received it, and keep it on file till the work was completed, when he would date it again, and from it make the entry in the blotter. These orders would be consecutively numbered in printed figures. The entry in the blotter would have the order number added, and the order would have the blotter folio. The book-keeper should check the foreman's entries in the blotter from these orders, and file them away carefully for reference, or for the auditor. No blotter is required to be kept by the foreman of the newspaper department; it will be kept in the office and the entries taken from each issue of the paper.

When goods are obtained by one department from another, care must be taken by the department transferring the goods to hand the particulars to the book-keeper, so that he may charge the one department and credit the other.

One Pay-sheet will do for the whole establishment, but the book-keeper will show, in addition to the total sum paid for wages, the proportion to be charged to each department.

The cash book will have special columns on each side, under such headings as the following:—

Dr. Side.

Job Work.	Advertising.	Subscription.	Bindery Work.	Sundries.

Cr. Side.

Job Expense.	Newspaper Exp.	Bindery Exp.	Interest, Disc.	Sundries.

There would be a general Day-book as well as a general Journal in the office, but there would not be many entries in these, as posting to the Ledger would be done direct from foreman's blotters, from the Cash book, from the Invoice book, and from the stubs of the Cheque books, and perhaps from the Bill books.

The book-keeper must be careful to apportion invoices and bills and contra accounts to the proper departments. After picking out and adding the items under the various heads on a piece of paper, it would be well to write in red ink on a corner of the invoice or bill, the sums to be charged to each department, and show that they correspond with the total amount of the invoice.

I do not think it is well to burden a Ledger with details and items—these are already in the books of original entries, and it is just as easy for a book-keeper when making out accounts to get the items from them as from the Ledger.

I may mention that with some companies that carry on the job printing business I publish a newspaper, a different plan of book-keeping from that outlined above is pursued. The cost of setting up the newspaper and printing it is ascertained by careful experiment, including wear and tear on plant, and is charged to newspaper account; this account is credited with the income from the newspaper.

I am of the opinion that as accurate knowledge of results as is desirable, cannot be obtained by this plan; guess work and omissions could hardly be avoided.

ACCOUNTANT'S CERTIFICATE.

In the conversion of an existing business into a joint Stock Company, the Accountant's Certificate accompanying the Prospectus is a very important document.

Owing to the very conspicuous failure in 1893 of a well known grocery corporation in New York City, the subject of Accountants' Certificates received a good deal of attention in the press of that city. The firm (Thurber, Whyland & Co.), which in 1891 was converted into a joint Stock Company, had been in existence for many years, and was not only a large, but a very prosperous concern. In less than two years after it assumed a corporate existence it had passed into the hands of Receivers.

The Accountant's certificate was evidently a reliable document, in so far as it certified to the past profits and existing financial condition of the firm. After the failure, it was contended that the Accountant's Certificate should have given more than it did—among other things, that it should have indicated the amount of money required for working capital, as well as the amount necessary to pay the former owners of the business for the transfer of their interests.

Accountants will differ in their views of this matter. Some will contend that being simply required to certify to certain facts and conditions, and having done that, they have performed all their duty. This view is strictly an auditorial one (If I may coin a word), implying the duties of an auditor, and might be regarded as comprehensive enough in connection with an already organized and going Company. Others will maintain that something beyond an auditor's certificate is required under the circumstances that we are considering, and that in addition to the verification of facts set forth in the prospectus, there ought to be estimates of an actuarial character as to the future, in respect to the value of good will and conditions of trade, as well as to working capital. I incline to the latter view in the interest of investors.

Examples of Accountants' Certificates.

Copy of report by Messrs. Rattray Brothers & Cairney, Chartered Accountants.

We have examined the Books and Accounts of Messrs. Bulloch, Lade & Co., Merchants and Commission Agents, Glasgow and London, and Distillers at Glasgow, Campbeltown and Islay, and have to report that the books are carefully and correctly kept, and have been properly balanced each year, and that the profits for the year ending

31st July, 1894, were £37,878,

31st July, 1895, were £38,480,

31st July, 1896, were £45,513,

giving an average per annum of £40,624. Income tax and interest on capital and loans have not been deducted, but every other necessary deduction, including depreciation, has been made, and the whole of the repairs on the works and plant have been paid out of profits.

We further certify that the Book value of the Assets at 31st July, 1896, was
£256,631 4s. 2d.

(Signed) RATTRAY BROTHERS & CAIRNEY, C. A.

Graham House, 45 West Nile Street,
Glasgow, 18th August, 1896.

Toronto, August 28, 1899.

Messrs. A. L. Ames & Co., Toronto :

Sir, —We have examined the books and accounts of the Sales Book and
A General Ledger business of the Carter-Crume Company, of Niagara Falls, N.
Y., and Toronto, Ont., for a period of five years from August 1st, 1894, to July 31st,
1899, and to inform you that, after charging against the profits all operating
expenses including remuneration of officials, we find the annual profits have been as
follow :

Year ending 31st July, 1895.....	\$109,538.14
" " " " 1896.....	108,663.87
" " " " 1897.....	126,830.27
" " " " 1898.....	141,637.69
" " " " 1899.....	151,819.51

Total for five years\$638,489.48

All expenditures in connection with the maintenance and repairs of the property
have been charged against the profits, and we are of the opinion that a proper amount
has been annually written off for depreciation, and that the works have been kept in
good condition. The losses from bad debts have averaged less than one-half of one
per cent. during the past five years.

Yours truly,
(Signed)

CLARKSON & CROSS,
Chartered Accountant

Subscribed but Unpaid Stock a Resource.

It is not unusual for Companies, other than banks, which desire to secure public
confidence, without which they could not exist, to obtain subscriptions for stock to a
much larger amount than the capital necessary to carry on their affairs. To illustrate :
A Life Insurance Company must command public confidence to be successful. The
capital required to carry on its operations, beyond the amount deposited with the
Dominion Government in the interest, and for the security of policy-holders, is small
in comparison with that of a bank or an important manufacturing concern ; but the
permanence of the Company and its ability to pay its liabilities to the widows and
orphans, who will be its chief creditors, is of vital importance. By obtaining
subscriptions for stock to an amount much larger than the capital required, and
calling up, say only a fourth of the amount, it has a reserve, which, in the event of
its being required, can be called for at any time. This reserve, in the case of Life
Insurance Companies, is as tangible an asset as the double liability resource of a bank.
As an example of this I may mention that the subscribed capital of the Confederation
Life Association is one million dollars, but only ten per cent. of this has been
called for, thereby leaving, practically, a reserve fund of \$900,000.

BONDS OR DEBENTURES.

When Joint Stock Companies borrow money for a long period, they do so by the issuing and disposing of bonds or debentures, which are negotiable instruments, payable to the bearer, and attached to which are interest coupons, usually two for each year of the time for which the bonds are to run. The bonds of a Railway or Mining Company are usually secured by a mortgage (see form, pages 152 and 153) upon its property held by trustees for the bondholders, and they are called first mortgage bonds, if the mortgage is the first lien on the property. Loan Companies borrow money upon their bonds, not, as in the case of a Railway or Mining Company, because they are hard up, but to obtain money at a cheap rate to lend at a high rate. If the Company be an old and sound one, it could probably borrow at par in England upon its bonds at four per cent. or less. The proceeds would be brought to Canada, and loaned at six or seven per cent., the result being a handsome profit upon funds not contributed by its shareholders, just as the banks make a profit by lending the funds left with them on deposit. Suppose a company has disposed of 6 per cent. debentures, *i. e.*, bearing interest at 6 per cent. per annum, to the amount of \$50,000 at a premium of $5\frac{1}{2}\%$, the entry would be :

Cash Dr.	\$52,750.00	
To Debentures		\$50,000.00
To Profit and Loss		\$ 2,750.00

The Company's liability is only \$50,000 ; the \$2,750 is a profit.

Suppose they had been disposed of at a discount of 5 per cent. the entry would be :

Cash Dr.	\$47,500.00	
Profit and Loss	\$ 2,500.	
To Debentures		\$50,000.00

The Company's liability is \$50,000, which must be shown on the credit side of Debentures account. The \$2,500 is a loss.

The difference between a STOCKHOLDER and BONDHOLDER of a Company will, of course, be apparent—the stockholder is a partner, the bondholder is a creditor. Governments and municipalities also borrow upon debentures or bonds. The bonds of the British Government are called "Consols" which is an abbreviation of the term "Consolidated bonds."

The term FLOATING LIABILITIES refers to debts that are not in the form of bonds or mortgages, but personal accounts, or bills payable.

No.

\$1,000

PROVINCE OF ONTARIO, CANADA.

THE GATLING GOLD AND SILVER MINING COMPANY,*Incorporated by Act 36 Victoria, Cap. 109, and amended by Acts 38 Vic.. Cap. 69, and 39 Vic, Cap. 89.***FIRST MORTGAGE BOND.**

THE GATLING GOLD AND SILVER MINING COMPANY acknowledge to owe, and promise to pay to the holder hereof, at the Office of the **Merchants Bank**, in the City of Belleville, Ontario, the sum of **One Thousand Dollars**, on the Twentieth day of August, one thousand eight hundred and ninety-three, together with interest on the same, at the rate of **Eight Dollars** for every hundred dollars by the year, to be paid semi-annually on the Twentieth day of February and Twentieth day of August in each year, on the delivery of the annexed Warrants or Coupons, as they shall severally become due, at the Office of the said Merchants Bank, in the City of Belleville, aforesaid, and with like interest thereafter until the principal of this Bond is paid in full. This bond is one of a series amounting in the aggregate to **Seventy Thousand Dollars**, secured by a **Mortgage** bearing date the Twentieth day of August, one thousand eight hundred and eighty-eight, for a like sum on the Lands, Mines and Mills of this Company, to James Frederick Dennistoun and George Edward Shaw, of the Town of Peterborough, Trustees, which Bonds are numbered from One to Seventy inclusive, and countersigned by the said Trustees. And the said Company agree that this obligation, and all rights and benefits arising therefrom, may be transferred by delivery as if the same was a note of hand and payable to bearer.

This Bond is subject to the following conditions, to wit :

1. That no dividend shall be paid on the stock of this Company until the whole of the said Bonds and the interest thereon are paid, or a sufficient amount to meet the same is deposited in one of the chartered Banks in the City of Belleville, and specially appropriated for the payment of the same.
2. That the said Company retains to itself the right to pay off this, and any or all of the said Bonds after the expiration of one year, upon giving six months notice, which may be given by advertisement once in the *Ontario Gazette*, and by Letter deposited in the Post Office, addressed to the holder thereof at his last known Post Office address, and on the expiration of the said notice of six months the interest on the Bonds so called in shall cease.

Given under the Corporate Seal of said Company, this Twentieth day of August, in the year one thousand eight hundred and seventy-eight.

President.

L.S.

Secretary.**COUPONS.****The Gatling Gold and Silver
Mining Company**

Will pay the Bearer at the **MERCHANTS BANK**, in the City of Belleville, Ontario, on the 20th day of August, 1893,

FORTY DOLLARS,

Interest due on that day, at the rate of 8 per cent. per annum, on bond No.

\$40._____
Secretary.**The Gatling Gold and Silver
Mining Company**

Will pay the Bearer at the **MERCHANTS BANK**, in the City of Belleville, Ontario, on the 20th day of February, 1893,

FORTY DOLLARS,

Interest due on that day, at the rate of 8 per cent. per annum, on Bond No.

\$40._____
Secretary.

**The Gatling Gold and Silver
Mining Company**

Will pay the Bearer at the MERCHANTS
BANK, in the City of Belleville, Ontario, on
the 20th day of August, 1892,

FORTY DOLLARS,

Interest due on that day, at the rate of 8 per
cent. per annum, on Bond No.

\$40.

.....
Secretary.

**The Gatling Gold and Silver
Mining Company**

Will pay the Bearer at the MERCHANTS
BANK, in the City of Belleville, Ontario, on
the 20th day of February, 1892,

FORTY DOLLARS,

Interest due on that day, at the rate of 8 per
cent. per annum, on Bond No.

\$40.

.....
Secretary.

**The Gatling Gold and Silver
Mining Company**

Will pay the Bearer at the MERCHANTS
BANK, in the City of Belleville, Ontario, on
the 20th day of August, 1891,

FORTY DOLLARS,

Interest due on that day, at the rate of 8 per
cent. per annum, on Bond No.

\$40.

.....
Secretary.

**The Gatling Gold and Silver
Mining Company**

Will pay the Bearer at the MERCHANTS
BANK, in the City of Belleville, Ontario, on
the 20th day of February, 1891,

FORTY DOLLARS,

Interest due on that day, at the rate of 8 per
cent. per annum, on Bond No.

\$40.

.....
Secretary.

**The Gatling Gold and Silver
Mining Company**

Will pay the Bearer at the MERCHANTS
BANK, in the City of Belleville, Ontario, on
the 20th day of August, 1890,

FORTY DOLLARS,

Interest due on that day, at the rate of 8 per
cent. per annum, on Bond No.

\$40.

.....
Secretary.

**The Gatling Gold and Silver
Mining Company**

Will pay the Bearer at the MERCHANTS
BANK, in the City of Belleville, Ontario, on
the 20th day of February, 1890,

FORTY DOLLARS,

Interest due on that day, at the rate of 8 per
cent. per annum, on Bond No.

\$40.

.....
Secretary.

**The Gatling Gold and Silver
Mining Company**

Will pay the Bearer at the MERCHANTS
BANK, in the City of Belleville, Ontario, on
the 20th day of August, 1889,

FORTY DOLLARS,

Interest due on that day, at the rate of 8 per
cent. per annum, on Bond No.

\$40.

.....
Secretary.

**The Gatling Gold and Silver
Mining Company**

Will pay the Bearer at the MERCHANTS
BANK, in the City of Belleville, Ontario, on
the 20th day of February, 1889,

— DOLLARS,

Interest due on that day, at the rate of 8 per
cent. per annum, on Bond No.

\$.....

.....
Secretary.

PREFERENCE BONDS.

It frequently occurs in connection with large corporations like Railway Companies that they have exhausted their borrowing powers upon bonds secured by mortgages. Already they have outstanding first mortgage bonds and second mortgage bonds, and possibly third mortgage bonds. Money must be obtained to keep the undertaking in operation, or it will be overtaken by disaster. A special meeting is called of both stockholders and bondholders, and their sanction is obtained to the issue of Preference Bonds, which will take precedence in point of security over all previous issues. It is only in desperation that the holders of mortgage bonds would consent to relegate their securities to a less favorable position, and waive their claims in favor of new creditors.

SINKING FUND.

A Sinking Fund is created for the purpose of meeting bond or mortgage debts at maturity, by laying aside certain sums annually for that purpose. As the money is invested, the sums are *charged* to "Sinking Fund No. 1," 2, 3, etc.

REST, SURPLUS OR RESERVE.

I have often noticed on the part of even intelligent persons a difficulty in understanding the figures denominated "Rest" or "Reserve" in a ledger or balance sheet. They will ask such a question as, "Well, where *is* this rest or reserve?" Now, in the case of a "Sinking Fund" there is no difficulty, because *it* is a tangible, single asset or resource—a fund that is actually on deposit in bank, or invested in some security, and it stands on the *debit* side of the Sinking Fund account in the ledger. The figures of the "Rest" or "Reserve," on the contrary, stand on the credit side of the Rest account as a liability—but a liability to the shareholders.

The "Rest" represents, in brief, the amount which the assets of a company are in excess of its liabilities, and the capital actually paid in (and is usually the result of undivided profits). For example, take the statement of a supposed company :

ASSETS foot up	\$220,000 00
LIABILITIES (to the public)	\$ 10,000 00
CAPITAL (or liability to the proprietors for capital paid in)	\$200,000 00
REST, or surplus	10,000 00
	\$220,000 00

In other words, there are assets to meet the \$10,000 of debts to the public, also to meet the \$200,000 due to the proprietors, and leave a surplus of \$10,000 over.

The reality of the rest, then, is in the fact that there is a surplus of assets over all liabilities to represent it. The institution must be solvent if there is a genuine rest ; but it might be insolvent and possess a sinking fund ; because the liabilities might exceed the sinking fund and all other assets.

BANK OF MONTREAL.

*Statement of the result of the business of the Bank for the half-year ended
31st October, 1900.*

Balance of Profit and Loss Account, 30th April, 1900	\$ 427,180 80
Profits for the half-year ended 31st October, 1900, after deducting charges of management and making full provision for all bad and doubtful debts	682,903 24
	<u>\$1,110,084 04</u>
Dividend 5 per cent., payable 1st December, 1900	600,000 00
Balance of Profit and Loss, carried forward	<u>\$ 510,084 04</u>

NOTE.—Market Price of Bank of Montreal Stock, 31st October, 1900—259% (equal to \$518 per share. Same date last year, 265%.)

Analysis of the above Profit and Loss Statement for the Student.

The statement of the half year's operations shows that the Bank's net earnings were	\$ 682,903 24
Out of the earnings a dividend of 5% for the half year upon the paid up capital of \$12,000,000 was paid	600,000 00
Leaving a balance of	<u>\$ 82,903 24</u>
to be added to the amount at the credit of Profit and Loss acct. April 30th, 1900	427,180 80
Balance of Profit and Loss carried forward	<u>\$ 510,084 04</u>

which sum you will see in the liabilities statement, under the head of Liabilities to Shareholders.

GENERAL STATEMENT, BANK OF MONTREAL.

31st October, 1900.

LIABILITIES.

TO THE SHAREHOLDERS—

Capital Stock		\$12,000,000 00
Reserve	\$ 7,000,000 00	
Balance of Profits carried forward	510,084 04	
Unclaimed Dividends	\$ 7,510,084 04	
Half-yearly Dividend, payable 1st December, 1900	2,102 01	
	600,000 00	
		\$8,112,186 05

\$20,112,186 05

TO THE PUBLIC—

Notes of the Bank in circulation	\$ 7,384,408 00	
Deposits not bearing interest	18,104,058 62	
Deposits bearing interest	49,127,812 28	
Balances due to other Banks in Canada	37,930 74	
		74,654,209 64

\$94,766,395 69

ASSETS.

Gold and Silver Coin Current	\$ 2,090,885 26	
Government Demand Notes	2,422,130 50	
Deposits with Dominion Government required by Act of Parliament for security of general bank note circulation	310,000 00	
Due by agencies of this bank and other banks in Great Britain	\$ 2,337,697 61	
Due by agencies of this bank and other banks in Foreign Countries	2,084,482 52	
Call and Short Loans in Great Britain and United States	20,691,750 00	
	25,113,930 13	
Dominion and Provincial Government securities	825,850 36	
Railway and other Bonds, debentures and stocks	2,988,912 80	
Notes and cheques of other Banks	1,591,267 51	
		\$ 35,343,026 56
Bank Premises at Montreal and Branches		600,000 00
Current Loans and Discounts in Canada and elsewhere (rebalance interest reserved) and other assets	\$58,621,304 10	
Debts Secured by mortgage or otherwise	138,826 74	
Overdue debts not specially secured (loss provided for)	63,238 29	
		58,823,369 13
		\$94,766,395 69

Analysis of the Above Statement of Assets and Liabilities for the Student.

The student will find it a profitable study to analyze the above statement of the largest Bank in America, and one of the great financial institutions of the world.

Begin with the assets, noting each item, and particularly "Current Loans and Discounts" (over 58½ millions of dollars), which shows the important factor in the business of the Bank, namely, the amount lent upon the security of promissory notes and bills of exchange, principally to merchants and manufacturers. This will

suggest to your mind that the stability of a bank is not to be measured by the gold in its vaults, but upon the financial condition of its borrowers.

The assets amount to	\$94,766,395.69.
The liabilities to the public amount to	74,654,209.64.
The amount owing the proprietors is	\$20,112,186.05

or the sum that the Assets exceed the Liabilities to the public.

Twelve million of this was the capital paid in, and the balance is the accumulation of undivided profits since the bank commenced business eighty years ago, as shown in the Bank's Ledger, and in the above statement under these heads.

Capital stock	\$12,000,000.00
Rest	7,000,000.00
Balance of Profits carried forward	510,084.04
Unclaimed Dividends	2,102.01
Half yearly dividend, payable Dec. 1, 1900	600,000.00
	\$20,112,186.05

Do you consider that the Bank of Montreal is sound ?

DIVIDEND NOTICES.

(PUBLISHED IN NEWSPAPERS.)

BANK OF MONTREAL.

Notice is hereby given that a Dividend of Five per cent. upon the paid up Capital Stock of this Institution has been declared for the current half-year, and that the same will be payable at its Banking House in this City and at its Branches, on and after THURSDAY, the FIRST DAY OF DECEMBER next.

The Transfer Books will be closed from the 16th to the 30th of November next, both days inclusive.

By order of the Board.

Montreal, 18th October, 1900

E. S. CLOUSTON.

General Manager.

FREEHOLD LOAN & SAVINGS COMPANY.

DIVIDEND No. 78.

Notice is hereby given that a dividend at the rate of 6 per cent. per annum on the Capital Stock of the Company has been declared for the current half-year, payable on and after 1ST DAY OF DECEMBER next, at the Office of the Company, corner of Victoria and Adelaide streets, Toronto.

The Transfer Books will be closed from the 16th to the 30th November, inclusive.

By order of the Board.

Toronto, 26th October, 1898.

S. C. WOOD,

Managing Director.

Issue of Stock to Replace Debentures.

In the early history of companies engaged in extensive enterprises, they frequently, as has been shown, raise money on debentures secured by mortgage on their property ; but as time goes on, and success is assured, they deem it expedient to obtain the money in another form : so they seek the power, or exercise authority already possessed, to convert the debenture debt into ordinary shares. In other words, they take in new partners, who furnish fresh capital, with which they pay off the mortgage on the property. This relieves the company of mandatory obligations on which payments of interest must be met, and leaves the earnings to be divided among *all* who have furnished funds.

BOOK-KEEPING ENTRIES FOR INVESTORS.

The proper entries to be made by investors in stocks will suggest themselves to any competent book-keeper. It may be well, however, to give a few examples here.

You bought ten shares of the stock of the Montreal Cotton Company at the par value \$100 each. Later you sold them at a premium of 15 per cent. The Ledger accounts and entries are as follows :—

DR.	STOCK IN MONTREAL COTTON CO.	CR.
To Cash, " Loss and Gain,	1000 00 150 00 \$1150 00	By Cash, 1150 00 \$1150 00

CASH.

To Stock in M. C. Co.,	1150 00	By Stock in M. C. Co.,	1000 00
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LOSS AND GAIN.

		By Stock in M. C. Co.,	150 00
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When the sale is made, you might make Cash Dr. to Stock in M. C. Co. for \$1,000, and to Loss and Gain direct for the profit, \$150. This would be the better way if you had sold only a part of the shares you held, as in the following example :

You purchased 100 shares of the stock of the Bank of Commerce at the par value of \$50 for \$5,000, and later transferred 20 shares to B. at a premium of 10 per cent., receiving \$1,100. The Ledger account and entries are as follows :—

Dr.

SHARES IN BANK OF COMMERCE.

Cr.

To Cash,	5000 00	By Cash,	1000 00
		" Balance,	4000 00
To Balance,	\$5000 00		\$5000 00
	4000 00		

CASH.

To shares in Bk. Com.,	1000 00	By shares in Bk. Com.,	5000 00
" Loss and Gain,	100 00		

LOSS AND GAIN.

		By Cash,	100 00
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QUESTIONS ANSWERED.

Questions of book-keeping referring to Joint Stock Companies, or investments in stocks, frequently reach the author. A number of questions, with the answers, will be found in the following pages.

From San Francisco.

QUESTION 1.—I hold a certificate of 500 shares of the Capital Stock of _____ Mining Co., for which I paid 75c. a share some time ago. The stock rose to \$2 per share. I took this certificate and placed it with my broker, who buys 500 more shares for me on "margin," paying for them \$1000 (on the security of my certificate, of course).

2.—This Stock is now worth \$20 per share. I order my broker to sell. He sells the 1,000 shares for \$20,000. He keeps out, of course, \$1,000, that he paid for the 500 shares he bought for me on "margin," and remits me the balance.

ANSWER—Ledger accounts and entries are as follows:—

Dr.

MINING STOCK (First Investment).

Cr.

To Cash,	375 00	By Cash,	10000 00
Gain,	9625 00		
	10000 00		10000 00

MINING STOCK (Second Investment).

To Broker,	1000 00	By Cash,	9000 00
Gain,	9000 00	" Broker,	1000 00
	\$10000 00		\$10000 00

BROKER.

To Min'g St'k (2nd In.)	1000 00	By Min'g St'k (2nd In.)	1000 00
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CASH.

To Mining St'k (1st In.)	10000 00	By Mining St'k (1st In.)	375 00
" " " (2nd In.)	9000 00		

From New York City.

QUESTION—John Simpson dies and leaves an estate which is carried on by executors for three years after Simpson's death.

Amongst the effects of Simpson is a manufacturing business which is sold to the heirs by the executors by bill of sale.

JANUARY 15TH, 1899.

The books were closed and a balance sheet showed the following effects :—

ASSETS.

Store and Office Fixtures	• • • • •	\$ 406 86
Machinery	• • • • •	2899 63
Misc. (Inventory)	• • • • •	15889 12
Cash	• • • • •	572 85
Accounts Receivable	• • • • •	11724 94
John Richardson, Adv. Money	• • • • •	2 85
Jas. Paterson	• • • • •	192 30

LIABILITIES.

Rent	• • • • •	\$ 208 34
Commission	• • • • •	51 76
Discount and Interest	• • • • •	703 50
Estate of James Fleinn	• • • • •	3 67
G. Cleveland	• • • • •	19 80
M. Morton	• • • • •	2 95
C. Harrison	• • • • •	11169 79
Estate of John Simpson (Present Worth)	• • • • •	19528 74
		<u>\$ 31688 55</u>
		<u>\$ 31688 55</u>

In the meantime, between January the 15th and March 20th, the parties decide to form a stock company among seven of them, say \$2,000 worth of stock to each, and take the balance sheet of January 15th as a basis.

You will notice the balance sheet of January 15th shows the amount to the credit of Estate of John Simpson to be \$19,528.74. The certificate of incorporation is \$14,000, March 20th, difference \$5,528.74.

Now, what I desire to know is, what journal entry to make in such a case to close the estate of John Simpson and open the new account, say "Morley Mfg Co.," and to what account the \$5,528.74 should be placed.

In other words, take a case which is not quite so muddled. Say, John Jones & Co. have to their credit according to a balance sheet of January 15th, \$19,528.74. Between that date and March 20th they form a stock company of seven, Capital Stock \$14,000, shares to be equally divided. What journal entry would you make to close the old books and open the new as per enclosed balance sheet?

In my opinion the old books should have been closed and a new set opened January 15th, but as this has not been done I would like your valuable decision as to the best method of getting the books of such a concern into proper shape.

ANSWER.—If you purpose continuing the use of the John Simpson Estate Ledger for the new stock company, I would suggest the following journal entry :—

Estate of John Simpson, Dr					
To Capital Stock	\$19528	74	\$14000	00	
" Surplus Capital (or Rest)			5528	74	

Post the above journal entry to the General Ledger, and its effects will be to close Estate of John Simpson account, and place the sum that was at its credit to the credit of Capital Stock and Surplus Capital respectively ; the latter will be regarded as a rest or reserve. Next open a Stock Ledger, and credit each of the seven shareholders with the number and par value of the shares he is to hold, in all amounting to \$14,000.

If instead of continuing the use of the John Simpson Estate Ledger, you are to open a new set of accounts for the stock company, journalize as follows :

SUNDRIES DR. TO SUNDRIES.			
Assets.			
Store and Office Fixtures	\$ 406	86	
Machinery	2899	63	
Mdse. (Inventory)	15889	12	
Cash	572	85	
Accounts Receivable	11724	94	
John Richardson Adv. Money	2	85	
Jas. Patterson "	192	30	
Liabilities.			
To Rent			\$ 208 34
" Commission			51 76
" Discount and Interest			703 50
" Estate of James Fleinn			3 67
" G. Cleveland			19 80
" M. Morton			2 95
" C. Harrison			11169 79
" Capital Stock			14000 00
" (Surplus Capital or Rest)			5528 74
	\$31688	55	\$31688 55

and open the general Ledger as follows :—

General Ledger.

DR.		CAPITAL STOCK.		CR.	
			By Sundries,	14000	00
		SURPLUS CAPITAL.			
			By Sundries,	5528	74
		STORE AND OFFICE FIXTURES.			
	To Sundries,	406	86		

Dr.		MACHINERY.				Cr.	
	To Sundries,	2899	63				
MERCHANDISE.							
	To Inventory,	13589	12				
CASH.							
	To Sundries,	572	85				
ACCOUNTS RECEIVABLE.							
	To Sundries,	11724	94				
(Open a separate account for each individual or firm.)							
JOHN RICHARDSON.							
	To Sundries,	2	85				
JAS. PATTERSON.							
	To Sundries,	192	30				
LANDLORD.							
					By Sundries,	208	34
COM. AGENT.							
					By Sundries,	51	76
INTEREST.							
					By Sundries,	703	50
ESTATE OF JAS. FLEINN.							
					By Sundries,	3	67
G. CLEVELAND.							
					By Sundries,	19	80

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From New York City.

QUESTION.—Is it customary in closing the books for the year to close Capital Stock account To Balance and By Balance as in partnerships, or let it remain undisturbed at the date upon which it was placed on the books?

I have read with interest your article on Impaired Capital and would like to know how this is treated in the Balance Sheet. Is it added in the list of assets or are the liabilities given first in the sheet and then the assets deducted showing the impaired capital?

It is shown on the books on the debit side showing that Impaired Capital owes us for the amount with which it is charged.

ANSWER.—It is not necessary to close Capital Stock account; it may be closed "to balance" when there are several entries, then ruled and footed, and the balance brought down on the credit side and left there undisturbed.

Regarding "Impaired Capital," at page 130, I explain, I think, your question. I fancy you are under a misapprehension. Impaired Capital does not mean, necessarily, that the Company is insolvent, that its liabilities are in excess of its assets. It means that through losses the capital is not so large as the original investment. It has lost a part of the capital, but not all. Say the Capital paid in had been \$50,000 and the loss made had been \$10,000, the Capital would be impaired to that extent, and would stand at \$40,000 when the Capital Stock had been made debtor to Impaired Capital, as explained at page 130. In a statement of the assets and liabilities you could, in showing the Capital, put it in this way.

Original Capital	\$50,000
Less impaired Capital through losses	10,000
Net Capital, which would be the balance between assets and liabilities	\$40,000

From Windsor, Ont.

QUESTION.—Three parties, we will call A., B. and C., sell to a company a mine for \$50,000,—taking as payment therefor that amount of ordinary stock. The company is capitalized at \$100,000. The remaining \$50,000 is then offered to the public as 7% preferred stock, guaranteed. \$30,000 of this preferred stock is sold at 75% of its par value, netting \$22,500. The directors, finding the returns from the mine satisfactory, do not wish to sell the \$20,000 preferred stock remaining in the treasury. My books are journal, cash-book, ledger and stock ledger. I should say that the company is registered under the laws of Michigan.

ANSWER.—

JOURNAL ENTRIES.

Mine Dr.	\$50000 00	
To Ordinary Stock,		\$50000 00
Stock in Treasury Dr.	50000 00	
To Preferred Stock,		50000 00
Cash Dr.	22500 00	
To Stock in Treasury,		22500 00
Discount on Stock Sales Dr	7500 00	
To Stock in Treasury,		7500 00
Mine Dr.	7500 00	
To Discount on Stock Sales,		7500 00

Ledger Accounts.

Dr.	MINE.	Cr.
To Ordinary Stock,	\$50000 00	
" Dis. on Stock Sales,	7500 00	

ORDINARY STOCK.

	By Mine,	50000 00
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STOCK IN TREASURY.

To Preferred Stock,	50000 00	By Cash,	22500 00
		" Disc. on Stock Sales,	7500 00

PREFERRED STOCK.

	By Stock in Treasury,	50000 00
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CASH.

To Stock in Treasury,	22500 00
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DISCOUNT ON STOCK SALES.

To Stock in Treasury,	7500 00	By Mine,	7500 00
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STATEMENT OF ASSETS AND LIABILITIES.

ASSETS.		LIABILITIES.	
Mine	57500 00	Ordinary Stock	50000 00
Stock in Treasury	20000 00	Preferred Stock	50000 00
Cash	22500 00		
	<u>\$100000 00</u>		<u>\$100000 00</u>

From Plattsburg, N. Y.

QUESTION.—My Merchandise Department consists of two accounts—Cracker Department and Candy Department. I wish to show up at inventory the gross profits on Merchandise in these two departments. We sell crackers by the barrel, and these barrels I have heretofore charged to "Cracker Department Expense Account." Is this correct? Should not the barrels be charged to "Cracker Department Merchandise Account?" We cannot sell the goods unless they are put up in saleable shape.

Again, we put up our candies in 5 lb. boxes (paper), with cardboard layers, wax paper, tissue paper and fancy labels. They are not saleable or ready for the market until so put up. Query: Should these boxes, etc., be charged to "Candy Department Merchandise Account," or to "Candy Department Expense Account?" In short, do they not enter into the cost of our candies or merchandise?

Again, when we ship our candies another cover is, of course, necessary, viz., wooden boxes. Should these boxes be charged to "Candy Department Merchandise Account," or "Candy Department Expense Account?"

Lastly, we put up crackers in wooden boxes containing about 30 lbs. each. These boxes come to us "knocked down," and we purchase staples, hinges, fastenings, nails, etc., to put them together. Should these several items be charged to "Cracker Merchandise Account," or "Cracker Expense Account?" The goods are not ready for market until so put up; they are not properly in saleable shape until boxed as stated.

ANSWER.—(1.) I think you were right in charging the barrels to "Cracker Department Expense Account." The cost of the packages for shipping does not enter into the cost of producing the goods, hence should not be charged to "Cracker Department Merchandise."

(2.) On the same reasoning, boxes, paper, labels, etc., for making candies attractive, do not appertain to the cost of production, and you were right in charging them to "Candy Department Expense Account."

(3.) Wooden Boxes for final packing should also be charged to "Candy Department Expense Account."

(4.) The cost of making boxes should be charged to the Expense Account of the departments to which they respectively belong.

In order to arrive at the net result of each department, I suggest that at the end of the year you open a Working Account for each, as is done for the several vessels in this book. For the Candy Department, carry from its Merchandise Account to the credit of "Candy Department Working Account," the gain shown in its Merchandise Account, and any other gains that there may be; carry to the Debit side of the Working Account the cost of running the department, as shown in the "Candy Department Expense account," and also any other losses; the difference between the two sides of "Candy Department Working Account" will show net profit, and would be carried to the credit side of the "General Loss and Gain Account" of the business. Do the same with the Cracker Department. Instead of showing the net result of the several departments through the respective Merchandise Accounts you will show it in each department's Working Account.

From Perth, Ont.

QUESTION.—I have secured a position with the Water Works Company, Limited. The system is under construction now and will be completed by December 1st. The company is composed of Montreal and Ottawa capitalists and at present the head office is in Ottawa. I have been with the company since the work was commenced, acting as inspector and agent for them here. I have the promise of

the position of Superintendent of the Works and would like to have your advice as to the most suitable manner of keeping the above company's books. The Water Works Company have taken over the Tay Electric Company's plant here, which will be run in connection with the Water Works.

ANSWER.—You can keep the accounts of both concerns in the same Ledger. Keep a Water Account to show income from that source; an Electric Light Account to show income from that source. Keep Water Expense Account to show cost of maintenance for that department, and Electric Light Expense Account to show cost of maintenance for that department. These Expense Accounts may, or may not, include *all* the cost of working, for you may desire, and find it necessary, to keep separate Accounts for the various branches of maintenance, such as Electric Light wages, Electric Light fuel, etc., and Water wages, Water fuel, etc. Close these various income and outlay Accounts at the end of the year into Electric Light Working Account, and Water Works Working Account respectively, each of which will show the gain or loss separately on each enterprise. These Working Accounts will be closed into the general Loss and Gain Account. The latter would be charged with expense items that were general. In addition to the various income and outlay Accounts for each branch of the business, you would have the Capital Stock Account in the General Ledger, and an account with each shareholder in the Stock Ledger; you would also have in the General Ledger such accounts as Electric Light Plant, Water Works Plant, Real Estate, and the usual accounts with Bank, Bills Receivable, Bills Payable, Personal, etc., common to all Ledgers. The cash book should be ruled with special columns on each side, so that the items of the accounts for which money is most frequently received and disbursed may be posted weekly or monthly. (See C. B. at pages 124 and 125). You would have weekly pay sheets similar to those in the 13th set of the Canadian Accountant. Generally speaking, this is an outline of the system to be pursued.

From Buffalo, N. Y.

QUESTION.—A Joint Stock Company has been incorporated with a capital of \$40,000, and have been conducting business for several years. The Company consists of ten men, each holding forty shares of \$100 each. The capital is paid up. We will say that this Company is engaged in the gas business, and that their profits are enormous. These same ten men jointly own another gas plant, worth about \$20,000, the business of which is not conducted by a Joint Stock Company. They desire to turn over this plant to the Company, and to issue paid-up stock to themselves for same. The profits being about 30% on the present capital of \$40,000, would it not be advisable for them to value plant No. 2 at \$100,000, and would the law allow them to issue paid-up stock for that amount, and by doing so would the Company incur a greater liability to the public in general than if their capital stock was only increased to \$60,000?

ANSWER.—As I understand your questions they are these: Can the existing Company take over and absorb into itself the other gas plant and issue paid-up stock of the Company in payment for it? So long as the Stock issued does not exceed the sum named in the Company's charter, or act of incorporation, it certainly may do so.

The other question is : Having acquired the extra plant can the Company "water the stock" of the Company from \$60,000 to \$100,000 ? There is no law in this country to prevent a company from "watering" its stock, and I am of the opinion that there is no such law in any of the States. The Company might deem its street franchises worth \$40,000 and make the following entry :

Franchises	Dr.	\$40,000,	
	To Capital Stock.		\$40,000.

and issue paid up stock for that amount. The Capital Stock Account would now show at its credit :

\$40,000
20,000
40,000

Of course I assume that the charter permits the Company to have a capital of \$100,000.

From Huntsville, Ont.

QUESTION.—We will say that a manufacturing concern change their business from a partnership to a Joint Stock Company (Limited), and "water" the stock largely by the value of their property and plant, though perhaps not beyond fair possibilities of what it may be worth. Of course the expectation is that the profits will be very large. The capital stock, including a further sum to be paid in addition or apart from the watered stock, would be fully paid up. Would a person purchasing a part interest in such business, and as one of the applicants for charter, be liable for any amount beyond the amount paid for such interest in case of failure ?

ANSWER.—I am inclined to the opinion that the promoters of such a company would be personally liable, in the event of failure, for any misrepresentation or exaggeration in the company's prospectus, by which subscriptions were obtained for the stock. Such misrepresentation and exaggeration would, however, have to be clearly proved. I do not think there would be any personal liability on the part of such promoters to the company's creditors.

From Detroit, Mich.

QUESTION.—What would be the proper entry to make for the following : Parties interested in a patent form a Company, and hold \$100,000 of the stock, the balance, " 0,000, is sold at 50c on the dollar.

ANSWER. The Patent being the only asset beside the cash paid, the debits to Cash Account and Patent Account should equal Capital Stock Account, hence the following Journal entry :

Patent	Dr.	\$125,000	
Cash	"	25,000	
	To Capital Stock,		\$150,000

Post above to the General Ledger, and then credit each holder in the Stock Ledger with his shares at par.

From Davenport, Iowa.

Question.—The first entries on the books of The J. Smith Mnfg. Co. are: Real Estate Dr. \$120,000, to Capital Stock \$120,000; the Real Estate is made up of Factory "A" \$100,000, and Factory "B" \$20,000. They run along several years and prosper. Having some spare money, they, as a Company, buy 200 shares of stock in the J. Jones Co., at \$30 per share, or \$6,000, and charge the J. Jones stock a/c. with this amount. After a time the J. Smith Co. get tired of looking after so much business, and sell to the Jno. Jones Co. Factory "A" for \$120,000. What would be the proper entries to make on the J. Smith Co books to dispose of this matter?

ANSWER.—When Factory "A" was sold (say for cash) the entry would be:—

Cash	<i>Dr.</i>	\$120,000
	To Real Estate	\$100,000
	" Loss and Gain	20,000

Pay the \$20,000 profit on the sale of the Factory as a dividend. The Capital Stock is to be decreased \$100,000, and that amount refunded pro rata to the shareholders. Make

Capital Stock	<i>Dr.</i>	\$100,000
	To Cash,	\$100,000

Get back the old certificates of stock, cancel them, and issue new certificates in accordance with the reduction; and debit the individual holders of shares in the Stock Ledger with the reduction; balance each of their accounts, and bring down the balances, which will show their present interest. The sum of these credit balances will agree with the reduced amount now at the credit of the Capital Stock a/c.

A Defunct Company's Assets and Liabilities taken over and a New Company Formed.

From an Ontario Town.

QUESTION.—We have bought the assets of a defunct company who originally got a bonus from the town, and at the time of failure owed on account of the bonus \$5,600.00. The town, of course, holds a lien on the business until the requirements are complied with:—of engaging a certain number of hands, &c., for a specified number of years. There was also a mortgage of \$2,000.00 held against it at time of failure.

The property was sold by auction and bought subject to the bonus and mortgage. Then a Joint Stock Company was formed with a capital of \$100,000, and the three parties purchasing the property turned it over to the new company for \$30,000, taking each \$10,000 of paid-up stock.

"A" also paid cash	\$3,000.00	making his holdings	\$13,000.00
"B" " "	3,000.00	" " "	13,000.00
"C" " "	1,000.00	" " "	11,000.00
"D" & "E" also paid cash	2,750.00	their " each	2,750.00

Now I am handed figures as follows, and asked to open the books :—

ASSETS.	
Real Estate	\$ 900 00
Buildings and Fixtures	10213 46
Machinery	20883 54
Office Fixtures	250 40
Merchandise	6033 12
Cash in Bank	12000 00
	\$50280 52
LIABILITIES.	
"A" Stock (Paid-up)	\$13000 00
"B" " "	13000 00
"C" " "	11000 00
"D" " "	2750 00
"E" " "	2750 00
Bonus Account	5600 00
Mortgage	2000 00
	\$ 50100 00

The above are the figures taken from the inventory book (at time of purchase). Of course the property and goods were bought for much less than these figures. But it was on this basis that they allotted themselves stock \$30,000.

It is understood that the property is transferred to the Company for \$30,000 of paid-up stock and the five parties have paid in cash \$12,500 with which to start business; it is therefore further understood that the paid-up capital is to-day \$42,500 and that is the basis I am to work from, but they hand me the above figures and ask me to Dr. each account with those figures.

First—You will notice there is a difference of \$180.52 in favor of the Debits.

Second—You will notice that Bonus Account is not in a sense a Liability, and I think should rather be charged to a Suspense Account rather than against Capital.

Third—It appears that from these figures \$42,500 is not the basis or capital, but \$50,280.52 and for this we are paying \$42,500 stock and Liabilities \$7,600.

ANSWER.—My method of opening the books of the Company would be by the following Journal entry :

ASSETS.	
Real Estate	Dr. \$ 11113 46
Plant	" 20883 54
Office Furniture	" 250 40
Merchandise	" 6033 12
Bank	" 12,000 00
LIABILITIES.	
To Bonus	\$ 5600 00
" Mortgage	2000 00
" Capital Stock	42500 00
" Surplus Capital (or Rest)	18052

Post to the General Ledger from this Journal entry, and it will show the assets under their respective heads, on the Dr. side; and the liabilities, under their respective heads, on the Cr. side; also the Capital paid up on the Cr. side of Capital Stock, and the surplus capital, or amount of assets over liabilities, at the Cr. of Rest. The General Ledger will now be open and ready to record the transactions of the Company.

I will presume that the \$100,000 capitalization is divided into two thousand shares of fifty dollars each. Open the Stock Ledger and credit the following:

A with 260 shares	\$ 13,000 00
B with 260 shares	13,000 00
C with 220 shares	11,000 00
D with 55 shares	2,750 00
E with 55 shares	2,750 00
	\$42,500 00

The sums at the credit of the shareholders in the Stock Ledger agree with the sum at the credit of the Capital Stock account in the General Ledger. There is no occasion for the individual shareholders' accounts to appear in the General Ledger.

There is the sum of \$57,500 of stock to issue, if that is deemed desirable at any time.

I cannot regard the bonus item in any other light now than as a liability. If, after the lapse of years, the debt is forgiven by the Municipality, then I would make a Journal Entry transferring the amount to "Rest."

Bonus account

To Rest account

When this entry is posted to the ledger the item would then change from a liability to the public to a liability to the shareholders.

The \$180.52 goes to "Rest" or "Surplus Capital" account.

From Port Colborne, Ont.

Will you kindly answer the following question: A subscriber wishes to surrender his shares of paid-up stock without any cash equivalent, would it be proper to simply balance his a/c. in the Stock Ledger, or should it pass as a debit through the Cash Book? I am inclined to think that a balance of Stock Ledger a/c. is all that is required — of course a dividend would be struck in just that number of shares less.

ANSWER.—As the surrender of paid-up shares, without any equivalent from the Co., reduces the capital liability by the amount of the surrendered shares, and gives the remaining shareholders the benefit, an entry should be made to reduce the capital and show the profit resulting. I suggest the following Journal Entry, supposing the surrendered shares to be \$400:

Capital Stock	\$400.00
To Loss and Gain	400.00

Post this to the General Ledger and also debit the shareholder's a/c. in the Stock Ledger and rule it off.

From New London, Conn.

I would like to ask you a question which does not seem clear to me. I refer to your explanation of Stock Ledger, page 84, "Johnson's Joint Stock Book-keeping." In the General Ledger you advise us to charge shareholders with the shares and credit and close their accounts from the Cash Book. How then are we able to post instalments from the C. B. in the Stock Ledger, having already posted them in the General Ledger?

I trust you will reply soon as you can. I appreciate your book and *have learned more from it than from any other source.*

ANSWER.—In reply to yours of the 22nd I beg to say that in the method of charging original subscribers in the General Ledger with the amount of stock subscribed, and crediting them in the General Ledger with the payments, the personal accounts will be footed and closed when the stock has been fully paid. It is necessary, therefore, to have an account with each shareholder in the Stock Ledger to show who holds the shares. The Stock Ledger is an auxiliary ledger while the shares are not wholly paid up, but after the shares have been paid up, it is the only ledger for shareholders' accounts, the sums at the credit of the several shareholders agreeing with the sum at the credit of Capital Stock in the General Ledger. In other words, the Stock Ledger shows at a glance who holds the Company's shares, and how much each shareholder has paid up. It is not necessary to have accounts in the General Ledger with shareholders. See "Form of Stock Ledger used when the accounts of shareholders do not appear at all in the General Ledger" (page 117) and also the paragraph to which you refer.

From Ottawa, Ont.

I have opened the books of a printing company, who have bought the business of a single proprietor. Some of the stockholders have preferred stock. Will it be dealt with differently from the common stock?

ANSWER.—Ordinarily, in the General Ledger there would be Capital Stock Account, at the credit of which the Capital would be shown. In the case you refer to I would have Common Stock Account and Preferred Stock Account; at the credit of the former would be the amount of the issue of ordinary shares, and at the credit of the latter the amount of the issue of preferred shares. In the Stock Ledger it would be well to have two separate sections, the first for ordinary shareholders, and the last for preferred stockholders. See page 174.

From Hudson, N. Y.

My firm is about to be incorporated as a Stock Company. I am to be one of the three shareholders and the Secretary and Manager. We incorporate with a capital stock of \$3,000, while the amount at the credit of the proprietor's stock account at the end of the year is about \$20,000. How am I to deal with the matter to allow for all this difference?

ANSWER.—I would suggest that you put the difference between the \$20,000 and the \$3,000 to the credit of "Rest Account," or call it "Surplus Capital Account," or "Reserve Account;" it will be a liability to the old proprietor under whatever name it appears. The Journal entry would be:

Assets, (Naming each.)		\$20,000 00
To Capital Stock a/c.,		\$3,000 00
" Rest a/c., or Surplus Capital a/c., or Reserve a/c., or Former Proprietor's name,		17,000 00

FOUNDERS' SHARES.

Promoters of Joint Stock Companies very often manage to obtain advantages, more or less valuable, over ordinary shareholders. The latest scheme in this line is what is known as Founders' Shares. It is worked in this way: The promoters of the Company, we will say twenty in number, who call themselves the founders, individually hold a founder's share, which entitles them under the act of incorporation to the balance of the net profits (or a large proportion of it), over and above the amount required to pay the ordinary shareholders a dividend of say seven per cent.

Companies of this nature have recently come into prominence in England by reason of the dissatisfaction existing among ordinary shareholders caused by the tremendous profits pocketed by the few, made from capital provided by the many. The principle of Founders' Shares has not been admitted in Canadian legislation, though a strong effort was made at a recent session of the Dominion Parliament to incorporate a company in which it was asserted.

*CONTINGENT ACCOUNT.

It frequently occurs at the close of a year that losses or charges are imminent, the exact amount of which cannot be ascertained. It is desirable under such circumstances to carry such a sum from the Loss and Gain Account of the year to the credit of Contingent Account, as will be equivalent to the possible losses or charges, and into which they can be written off in the future. By this plan, the year properly chargeable shows the loss, and provision is made to meet it by retaining a sum that would otherwise likely be paid with the dividend.

Suppose this to have been done, and there stands at the credit of Contingent Account, \$3,000.00. The loss may be from depreciation in plant, and is now ascertained; make

Contingent a/c. Dr.
To Plant a/c.

It may be from bad debts, make

Contingent a/c. Dr.
To the Several Personal Accounts.
or perhaps to Bills Receivable.

It may be the cost of a law suit, make

Contingent a/c. Dr.
To Cash.

*Called also "Suspense Account;" also "Reserve for Doubtful Debts," if held for that purpose only.
NOTE.—For the method of writing off debts utterly bad see page 176.

Preferred Stock or Preference Shares.

What is known as Preferred Stock is usually issued under circumstances like the following: A Joint Stock Company has been in existence for some years, and has met with only moderate success. It is found necessary to bring in additional capital and to induce sales of new stock; the existing shareholders agree that the new stock shall have the preference in the division of the profits. The agreement might be after this manner: if the profits warranted a payment of seven per cent. upon all the stock, this rate would be paid; but in the event of the profits not warranting a dividend upon the whole of the stock to that extent, then the seven per cent. dividend to be confined to the Preference Stock, and the balance of the profits to be divided among the holders of ordinary stock. Or, again, the arrangement might be that a dividend of seven per cent. upon the Preferred Stock should be the first charge upon the profits. After it was provided for, the balance would go to the ordinary stockholders. In the event of the profits of any year not being sufficient to pay the seven per cent. on the Preferred Stock, then whatever sum was available would be paid upon it, and the ordinary stockholders would receive nothing. Of course, the buyers of Preferred Stock take the risk of there being no profits whatever to divide. By Act 62-63 Victoria, chapter 40, the Directors of a company may create Preference Stock by "By-law." See page 54 of this book.

The accounts in the Stock Ledger with those who hold Preferred Stock should be apart from the accounts of the holders of Common Stock; and in the General Ledger there should be Common Stock Account and Preferred Stock Account, instead of the usual Capital Stock Account.

Cumulative Preference Stock.

Cumulative Preference Stock is similar to the Preferred Stock described above, but differs in this way: Should the profits of any year not warrant the payment of the full dividend promised on Preference Stock, the deficiency will remain a charge upon the profits of future years, which must be met before the Common Stock can participate at all in the profits.

The Canadian Portland Cement Company, Limited, formed in 1900, offered for sale \$200,000 of 7 per cent. Cumulative Preference Stock, ranking for an additional dividend of 1 per cent. on the following conditions:

"The Preference Stock is entitled to a first cumulative dividend of 7 per cent. per annum, payable half yearly; and after the Common Stock has received a like dividend, shall be entitled to share with the Common Stock in any surplus profits up to, but not exceeding, a further 1 per cent. upon the Preference Stock."

The Dominion Iron and Steel Company of Sydney N. S., offered for sale in March 1901 three million dollars of seven per cent. Preferred Stock on the following terms:

"The preferred shares are entitled to cumulative preferential dividends at the rate of seven per cent. per annum, payable semi-annually. They may, at the option of the holder, be exchanged for common shares, and are subject to be called in by the company at \$115 per share. The total issue of the preferred stock is \$5,000,000, the present issue being three-fifths of the whole."

*PLANT ACCOUNT.

The machinery of a manufacturing concern is represented in the Ledger by an account called Plant, just as "Pacific" represents one of the vessels of the Ontario Transportation Company.

To the debit of this account is placed the cost of the permanent plant of the concern,—by this we mean the machinery and tools by the use of which its goods are produced, and not anything that may be purchased to be sold or manufactured. When closing the Ledger there are two ways of dealing with the Plant account. Owing to wear and tear, the plant of the concern is not now worth so much as it was when you purchased it, or when you last closed your books; hence you must "write off" a portion of the amount charged to the account, to Loss and Gain, so as to leave the debit at the amount you estimate you could sell the plant for. You may write off say 5 per cent. by making this journal entry and posting it:

Loss and Gain, Dr.

To Plant Account.

For 5 per cent. written off for wear and tear;

then close the account By Balance; or you may take an Inventory of each part and piece that makes up the plant of the concern, place the amount of the Inventory on the credit side of the account and close it By Loss and Gain. Any property account, such as Office Furniture, would be dealt with in like manner.

(1ST METHOD.)

DR.				PLANT.				CR.			
1901	2	To Cash (cost)	\$8000	00	1902	2	By Loss and Gain, (5 per cent. written off for depreciation)	\$400	00		
Jan.					Jan.		By Balance,	7600	00		
								\$8000	00		
1902	2	To Bal. Inventory, (value of plant now.)	\$7600	00							
Jan.											

(2ND METHOD.)

DR.				PLANT.				CR.			
1901	2	To Cash (cost),	\$12000	00	1902	2	By Balance as per In- ventory,	\$11320	00		
Jan.					Jan.		By Loss and Gain,	680	00		
								\$12000	00		
1902	2	To Bal. Inventory, (value of plant now.)	\$11320	00							
Jan.											

*From "The Canadian Accountant."

*The Method of Writing off Bad Debts.

Few merchants or manufacturers can do business without making bad debts. Every man doing a credit business should, at each periodical closing of the books (which should be at least once a year), go through his Ledger and take a list of the accounts that he considers bad or very doubtful, in order that they may be written off. It may be asked, why write them off at all? What harm can there be in allowing them to remain on the books? The answer is, if you continue them they stand as resources or assets of your business, which, being worthless, they are not.

In nearly every case of insolvency, the book debts yield on an average not more than 50 per cent.; and in not a few instances the insolvency itself is in a large measure produced by allowing worthless accounts to remain on the Ledger, and regarding them, and representing them to creditors, as assets of the business.

Suppose you have upon your Ledger the following accounts considered bad: Jones, \$57; Brown, \$31.50; Green, \$41.90; write them off by the following journal entries:—

Bad Debts Account,	<i>Dr.</i>	\$130 40	
To Jones,			\$57 00
" Brown,			31 50
" Green,			41 90

For amounts at their debit that we consider impossible to collect.

Loss and Gain Account,	<i>Dr.</i>	\$130 40	
To Bad Debts Account			\$130 40

For amounts written off, transferred.

It will be observed that the accounts are first written into Bad Debts Account, and the latter is closed into Loss and Gain. If they were left in Bad Debts Account, they would still be in the form of assets. Of course they might be written into Loss and Gain at once, but the object desired in dealing with them as we do here is, to have an account showing distinctly the sum written off yearly for bad debts, as well as the *names* of delinquents, each of which occupies a line by itself in the account. Recording them thus in the Ledger, you can turn to the account at any time and have the whole list, extending, it may be, over many years, before you.

*From "The Canadian Accountant."

NOTE.—For the method of providing for doubtful debts that may become worthless, see page 173.

Examination Questions, Institute of Chartered Accountants of Ontario.

FROM PAGE 177 TO PAGE 183.

JOINT STOCK COMPANIES.

1. John Smith and Robert Jones are equal partners in the business of manufacturing agricultural implements, and have arranged to convert their business into a Joint Stock Company. They will personally assume the old firm's liabilities, so that the Company will only have to do with the assets, which are as follows :

Plant (includes machinery and tools)	\$20,000 00
Real Estate	25,000 00
Manufactured goods per inventory	15,000 00
	\$60,000 00

On turning over the assets to the Company, Smith & Jones are to receive paid-up stock for the amount. The company is to be formed under the Dominion Joint Stock Companies Act, and the authorized capital is to be \$150,000.00, divided into 1500 shares of \$100 each. Ten men besides Smith and Jones have signed the stock list for 900 shares (90 each), and have paid 50 per cent. upon them.

- (a) State the steps that should be taken to form such a Company.
- (b) Suggest the books of account necessary to properly record the Company's business, as well as those required to be kept by law.
- (c) Make the necessary entries for the transactions given above in order to open the books.

2. A company has disposed of 6 per cent. debentures to the amount of \$50,000, at a premium of $5\frac{1}{4}\%$. Give the necessary entry for the transaction.

3. At the end of a year, after the working accounts have been closed into Profit and Loss, there stands at the credit of that account the sum of \$10,000 as the net profit of the year. The directors have ordered it to be disposed of as follows :

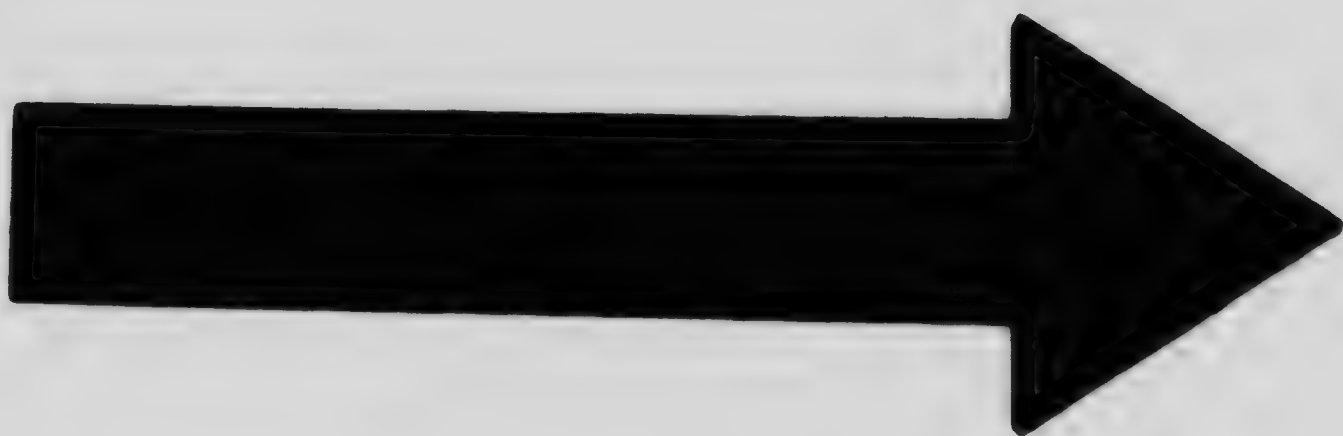
\$8,000 to be paid in cash dividends ;

\$1,500 to be passed to rest account ;

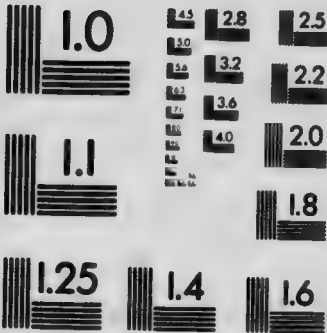
\$500 to remain at the credit of profit and loss. Make the journal entries.

4. In the Stock Ledger of a company, R. Brown is credited with 10 paid-up shares of \$100 each. He sells to-day to W. B. Robinson at a premium of 10 per cent. How would the transfer be made in the company's books, and what would be the entry in the Stock Ledger ?

5. The shares of the Bank of Montreal are quoted at 260. Explain this, purchasing at this figure, on what amount would you receive the dividend ?



(ANSI and ISO TEST CHART No. 2)



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6. What is the extent of the liability of shareholders in Joint Stock Companies, other than banks, and what is the liability of shareholders in banks?

7. What is the advantage in keeping a "reference book" for the use of shareholders?

1. (a) What are the qualifications for the office of Director of a Company incorporated under the provisions of the "Companies Act?"

(b) How far may these provisions be varied by a By-law of the Company or otherwise?

2. What restrictions or conditions require to be observed in seeking incorporation under the "Companies Act," or the Ontario "Joint Stock Companies Letters Patent Act," respectively, as to

(c) Capital Authorized,

(b) Capital Subscribed,

(c) Capital paid in.

3. State clearly what a Company may and may not do in the matter of dealing in or acquiring its own shares.

What authorities govern?

4. What are the successive steps necessary to render a By-Law for the creation of Preference Stock legal and operative?

5. What, if any, are the limitations upon the powers of Directors relating to the payment of calls on shares by transfer of property or goodwill?

6. What is the procedure necessary to enable a creditor of a Company to compel payment of uncalled or unpaid capital for his benefit?

7. (a) What obligations are assumed by persons acquiring partially paid shares either by transfer or by sale under execution?

(b) What obligations remain upon persons parting with shares in these ways?

8. (a) What takes place if the number of Shareholders in a Company falls below the number required to secure incorporation?

(b) What takes place if there are not sufficient shareholders in a Company eligible for re-election as Directors?

9. What liability or penalty is incurred by an Accountant for false or insufficient information supplied by him for purposes of a prospectus, and so used?

10. A Company desires to acquire the name and business of another Company without becoming liable for the debts owing by the latter. How would you advise that this be done?

SHAREHOLDERS AND PARTNERS.

1. What books are required by law to be kept by a Joint Stock Company ?
 2. What is meant by "shareholder in trust ?" Who is liable for calls on shares so held, and why ?
 3. What are the relative advantages of being a shareholder in a Company and of being a limited partner in a partnership ?
 4. What are the specific acts by which an individual becomes a shareholder ; and by which he ceases to be, and to be liable as a shareholder ?
 5. Of what significance is a stock certificate or "Scrip" to a person holding shares ? Give forms of certificate illustrating your reply.
 6. What is the authority for selling shares at a discount ? What entry would you make to properly show the transaction in the books of the Company ?
 7. What would be your course of action with reference to the books of account, upon the conversion of a partnership business into a Joint Stock Company ? Show by journal entries how you would deal with accounts in the partnership books showing capital and profits.
 8. Define General Partner, Special Partner. How may a Limited Partner render himself liable as a General Partner ?
 9. What is the liability of a retiring partner for the debts of the late partnership ?
 10. How far may partners bind each other for transactions not falling within the usual business of the firm ?
-
1. How should Authorized Capital, Subscribed Capital, and Paid up Capital be shown in the various books of a Joint Stock Company ? Give reasons for your answer.
 2. How would you record the Transfer of Partly paid shares, Fully paid shares, and shares upon which Nothing has been paid ? Give share ledger rulings to illustrate ?
 3. (a) In what respect does the Capital Account of a Joint Stock Company differ from the Capital Account of an unincorporated Company or partnership ?
(b) What determines the distinctive features of each ?
 4. How would you record upon the books of a Company the hypothecation of shares by a shareholder to another ? What privileges pass with a transfer ?
 5. What is a preferred shareholder ? In what way may he have preference, and in respect to whom ? How would you state the case in the General Ledger ? The Share ledger ?

6. What is the significance of a stock certificate or "scrip" to a person holding shares? Give forms of certificate illustrating your reply.
7. What entries should be made to show :—
 - (a) A sale of shares at a premium?
 - (b) A sale of shares at a discount?
 - (c) A sale of forfeited shares at twenty per cent. discount, ten per cent, having been previously paid thereon?
8. What ledger entries are necessary to show the conversion of a partnership business (manufacturing) into a Joint Stock Company?
9. Describe minutely the books which are, by Statute, required to be kept by a Joint Stock Company?
10. What is a special partner? A limited partner? How would you exhibit in the Ledger the interests of each and also of general partners? Introduce apportionments of losses and of profits.

AUDITING.

1. What objects other than checking the postings the ledgers ought to be obtained by an independent auditing of accounts?
2. Is an auditor responsible for the accuracy of the value of the stock as carried into the merchandise account from the inventory? Give reasons for your answer.
3. Suspicion as to the accuracy of the accounts having arisen on the part of the silent partner, a special audit is made of the books. How would you proceed to verify the bills payable and bills receivable accounts?
4. How do you consider an auditor can best test the accuracy of the cash balance as shown by the cash book?
5. Give the outline or skeleton of a revenue account or trading and profit and loss account of a partnership of three persons engaged in a manufacturing business.
6. In a partnership business, how far can an auditor go in correcting entries made in (a) the capital account; (b) the nominal account; (c) the personal account? Give full reasons for your answer.
7. As auditor for a Joint Stock Company, you find fictitious nominal accounts in the private ledger through which several sums of cash pass. How would you proceed to verify the correctness of such cash payments?
8. Give outline of a balance sheet of a purely commission and consignment business.

9. Write a short report as the result of a special audit of previous year's work of the firm of Jones & Williams, in which you find \$1,000 had been charged to duty and \$500 to freight account instead of Jones' personal accounts. Otherwise the books were correct.

10. The errors in the above question occurred in 1891. In 1895 the partnership was unaltered with the profits for the year being \$1,600, of which Jones' share was \$800. How would you proceed to adjust the errors? Illustrate your answer by means of adjustment accounts.

1. What is the object and scope of an audit?
2. You are appointed auditor for a new Trading Company, and are asked to draft some general instructions for the guidance of the office staff with a view to having everything in proper shape when you begin the audit. Give an outline of what would be embodied in your memorandum.
3. (a) What do you understand by the term "Voucher?"
(b) For what entries would you require them?
(c) In what books would items be found for which vouchers should be produced?
4. What steps would you take to verify the following Assets of a Manufacturing Company:—Cash, Bills Receivable, Stock, Machinery?
5. You are auditing the books of the Brown Furniture Co. State what steps you would take to ascertain whether there was a sufficient sum charged against Revenue to meet the probable loss in Book debts?
6. (a) How would you determine the propriety of a Dividend?
(b) How would you satisfy yourself that the dividends had been paid to those entitled to them?
7. In auditing the accounts of a partnership you find that Green's dishonored note forms part of the balance of Bills Receivable. Is this correct? If not, state fully what should have been done with it?
8. What procedure would you follow in auditing the Capital Account of a Manufacturing Company, no previous audit having been made?
9. What is an Income and Expenditure Account? Point out in what respect, if any, it differs from an Account of Receipts and Payments?
10. In auditing the books of a Manufacturing Establishment, what voucher would you require for wages paid, and how would you satisfy yourself that the Wages list did not contain the name of fictitious employees?

1. Under what circumstances do you consider "Goodwill" or "Patent Rights" legitimate Assets? As an auditor how would you advise such assets being dealt with year by year?

2. Explain fully the items entering into Costs Account in a manufacturing business consisting of three Departments, each semi-dependent on the other. Give full particulars as to the methods you would pursue to arrive at the Net and the Gross cost of production.

3. In taking Stock what valuation is a manufacturer justified in placing upon goods in the process of manufacture, finished stock unsold and finished stock sold but not delivered? Give reasons for your answer.

4. What do you consider the best system for arriving at the depreciation to be written off or provided to redeem the following assets:—

- (a) Fixed or permanent Machinery.
- (b) Loose Machinery, Utensils, Tools, Implements, etc.
- (c) Office and Shop Furniture and Fittings.
- (d) Horses.
- (e) Leasehold property.
- (f) Goodwill.

5. A Joint Stock Company whose capital has become greatly impaired, but which is at last making a small profit, wishes to write off half its Subscribed Capital in order that it may be able to pay a 6% dividend. The Stock is fully paid up. What steps are necessary to be taken in order to do this, and what entries would you make in the books to record the transaction? How will this affect each Stockholder's liability?

6. To what extent do you consider it an Auditor's duty to examine into and report upon the Stock Inventories and the mode in which the stock has been taken and valued?

7. Set out in detail the form of Balance Sheet (without figures) you consider best suited to show the position of an ordinary manufacturing Joint Stock Company

8. Should the following items be Capitalized or charged to Revenue for the year?

- (a) Premium given for a lease.
- (b) Costs attending a mortgage.
- (c) Commission on an issue of Debenture Stock.
- (d) Brokerage on the purchase of an Investment.
- (e) Accrued interest or dividend included in the cost price of an investment.
- (f) Preliminary expenses on the formation of a Company.
- (g) Minimum royalties paid but unearned, recouperable out of future workings.
- (h) Cost of removing a 6 inch gas pipe to another locality and replacing it with a 9 inch pipe.

Give your reasons fully in each case.

9. Explain the difference between a "Sinking Fund" and an ordinary "Reserve Fund." How are each created and for what purposes? Many persons contend that a Reserve Fund to be of any value should always be specially invested. State your opinion fully on this point. Are these funds Assets or Liabilities? And why?

Criticise the following statement :

LIABILITIES.

Loan and Debentures,	\$289,476
Bank Overdraft,	4,891
Sundry Creditors,	946
Invested by Treasurer—Surplus Fund,	7,924
	\$303,237

ASSETS.

Land and Buildings,	\$293,864
Rents accrued and unpaid,	2,917
Sinking Fund,	6,000
Unexpired Insurance,	365
Cash in hand,	91
	\$303,237

10. How would you treat in the Balance Sheet,
- Provision for Bad and Doubtful Debts.
 - Contingent Fund (which is the amount charged against Profit and Loss on account of Depreciation of Plant).
 - Partner's Capital Account.
 - Unused Premiums of Fire Insurance.

AUDITING.

QUESTIONS FROM CERTIFIED PUBLIC ACCOUNTANTS' EXAMINATIONS, HELD BY THE BOARD OF REGENTS OF THE UNIVERSITY OF THE STATE OF NEW YORK.

- Explain generally the duties of an auditor. State the qualifications and training necessary to fit an auditor for the discharge of his duties.
- Is it an auditor's duty to concern himself, to any extent, with the validity of the transactions that come under his notice? Explain.
- Describe the steps necessary for a thorough and systematic audit of the accounts of a partnership business.
- State the plan of procedure in making a thorough audit of the accounts and books of a corporation.

5. In auditing the accounts of a manufacturing company, what steps should be taken to verify the following assets : Cash, bank account, bills receivable, accounts receivable, manufactured stock, real estate and machinery ?

6. In auditing a private banking institution, how would you ascertain the amount of cheques that have been charged to depositors' accounts, but not presented for payment ?

7. In preparing the balance-sheet of a business at the close of a year, how should *each* of the following be treated : (a) bad and doubtful debts, (b) premiums for fire insurance unexpired, (c) interest paid in advance on bills payable discounted, (d) depreciation of factory plant, store and office fixtures, and similar items ?

8. Write in proper form an auditor's certificate of correctness.

9. Under what circumstances, if any, would it be proper to open an account with good-will ? On finding a good-will account on the ledger of a business for which you are to prepare the annual statement, how would you treat the account, or what special adjustment would you suggest in regard to it ?

10. You have in hand the examination of the cash and bank account of a mercantile firm that uses cheques very freely. Draft a reconciliation account, bringing the cash-book and bank pass-book into harmony at the close of the period under review.

11. What cheque has the auditor on fictitious entries showing purchases, and on returns of goods sold ?

12. In auditing the accounts of a gas company, what evidence of the receipt of amounts due from customers should be required ?

13. Should any fluctuation in the valuation of permanent assets be permitted to affect the result of the loss and gain account ? Give reasons for your answer.

14. Expenditures are made by a corporation for items of *each* of the following classes : (a) taking down a machine in one part of a factory, moving it, and putting it up in another part, (b) expenses of incorporating the company, including State charges and lawyer's services, (c) brokerage on purchase of a piece of property, (d) commission on an issue of debenture bonds, (e) costs attending a mortgage, (f) furniture and fittings of a city office and salesroom, (g) costs of patents, including solicitor's charges and Government fees; Which items should be charged to capital and which to revenue ? State reasons for your answer in each case.

15. The balance-sheet of a firm is summarized as follows :

ASSETS.

Cash, Stock and Accounts Receivable	\$ 67,500
Manufacturing Plant	15,000

LIABILITIES.

Notes and Accounts Payable	\$ 49,500
Capital	37,500
	\$ 82,500
	\$ 87,000

Would you consider this firm insolvent ? Give reasons for your answer.

Making Contracts With a Company.

In making a contract with a Joint Stock Company, one should be careful to see that the Company has the power under its charter (or by the general act under which it was incorporated) to enter into the contract; in other words, that the Company is not undertaking to do that which it has no legal power to do. No matter how regular a contract might appear to be, it would be utterly worthless if the Company had no legal power to make it. As a rule, contracts with a Company should have the Company's seal attached, because a corporate body speaks by its seal. It would not be necessary, however, for a Company issuing notes and bills, and endorsing them, in the ordinary course of business, to attach its seal. All contracts made by a municipal corporation should be under the seal of the corporation.

SPECULATION IN STOCKS.

The purchase and transfers of stock hitherto alluded to have been genuine sales, and can be easily understood. There is a large amount of speculation in stocks, however, in which there is no intention actually to deliver or receive them. This is called "buying on margin," which, with the peculiar jargon used in connection with it, is not easily understood by the uninitiated. A contract is made through a broker to buy a certain number of shares of some particular stock at a fixed price within so many days—a margin, say five per cent. of the amount, being placed in the hands of the broker. Should the stock rise in the market, the speculator may order his broker to sell, and, after paying him his commission, pocket a handsome profit. On the other hand, should the stock decline, the speculator must keep up his margin by making further payments, and it may be that, no favorable turn taking place immediately, he is unable to continue to carry the stock, and loses all he has invested.

It will be seen that this kind of speculation simply amounts to a bet that a particular stock will be above a certain figure in the future. If it prove to be, the speculator wins; if not, he loses. Some curious phrases are used on 'change (this is an abbreviation of Stock Exchange, where the brokers carry on their operations), such as "bulls" and "bears," "corner," "short," "long" and "put" or "call." The name "bull," is given to those dealers who are endeavoring to force up the price of certain shares, and those are called "bears" whose object is to lower them. A "corner" is the result of certain operations between these opposing forces. When it becomes known that there is a large number of "short contracts" out in a certain stock, advantage is taken of the fact by the buyers, who purchase all the shares they can get hold of, so that when the time arrives for the fulfilment of their contracts, the holders have the "shorts" at their mercy. The latter are compelled to purchase at greatly advanced prices, and are "cornered," unless they can break down the corner, when the tables

may be turned upon the "longs." A "put" or "call" is a contract whereby, for the payment of a small sum of money, one dealer may require another to take or deliver within a limited time, say one day, a certain amount of stock at a stated price.

The operation known as "going short of the market," or selling stock with none on hand, in the expectation of buying at a lower figure when called upon to deliver, is not favorably considered by the outside public who occasionally "dabble in Wall street;" they, as a rule, prefer to "bull" the market.

"SHORTS" CAUGHT.

From The Montreal Star, March 20th, 1901.

During the time the Dominion Iron and Steel Company was asking the public to subscribe for \$1,000,000 worth of their preferred seven per cent. cumulative stock at 85, the stock was selling on the Stock Market from 87 to 88 1-4. This was a promising sign for the success of the issue, but it tempted a number of people, both inside and outside the Exchange, to sell stock at the high prices, which they did not at the moment own, but which they expected to get in a short time. That is what is called selling "short." To-day the gentlemen who went short showed signs of repentance.

As has already been stated in the Star, the issue was a great success, being about three times over-subscribed. The result has been that those who subscribed for, say, 100 shares, will only get 25 shares, so much has the proportion of allotment been reduced. The 100 share subscribers doubtless hoped to get at least 50 shares, but they were disappointed. Having made a contract to deliver a certain number of shares within a certain time, and not being able to get the shares at 85 from the company, there was nothing for the shorts to do but get down to the stock market and seek the goods there.

The most natural thing that could occur there in the event of such an abnormal demand for the stock was for the price to rise, and rise it did with a hop, step and jump. Yesterday the final transaction was at 89 3-8, but at the opening of the market this morning, 90 was the figure asked, and business commenced at that basis. The next sale was a point higher, at 91, and it was then that the shorts took fright and plunged in to get the stock they needed, no matter what the price might be. There is not much sentiment in business, and when a man wants a thing very badly, in fact must have it, the price is very likely to go up on him, and that is just what happened to the steel shorts. The price went up to 95 so quickly that it almost took their breaths away. Once the shorts got what they wanted the price assumed an easier tone, and gradually dropped back to 92 1-2. The trading was not what would be called very heavy, about 800 shares changing hands.

LIQUIDATION.

A Joint Stock Company upon which a demand has been made for a debt amounting to \$200, and which remains unpaid after 60 days, may be forced into liquidation by its creditors. Application is made to the Court for a winding up order, after four days' notice to the Company. The Court may in its discretion grant the order forthwith, or adjourn to make inquiry. The Company must show its books. After the order has been made and a liquidator appointed, no transfers of stock can be effected, and the business of the Company must cease, unless the liquidator deems it best that it should go on. With the appointment of the liquidator the functions of the directors cease, for in him is vested full power to do all things necessary to wind up. He may appoint a solicitor to assist him. An execution cannot be enforced against a Company in liquidation, and remedy against it cannot be obtained by suit, but by an order of the Court. The liquidator is subject to the Court. He must not deposit the Company's money in the bank in his own name only, but in his official capacity, and he must produce the bank pass book at meetings. He is paid as the Court directs. After the final order is made, the money in hand is deposited and left for three years subject to any legitimate call, and at the end of that time is paid over to the Receiver-General. The Statute of Liquidation in force in Ontario is R. S. O. 1887, cap. 183. The Dominion Winding-up Act is R. S. C., cap. 129, as amended by Cap. 32 of 52 Vic. D.

ORNAMENTAL DIRECTORS.

Custom has grown up in England in connection with Boards of Directors of Joint Stock Companies that has both a serious and amusing side. Promoters of new joint stock enterprises often endeavor to attract subscriptions to the stock by the parade of a Board of Directors containing the names of people of title and social position, who are secured as directors purely on account of the handles attached to their names, while the qualification is provided for them without investment on their part.

The remuneration paid to these directors is usually a guinea (£ 1. 1. 0.) for attendance at each meeting; and in the financial world they are humorously called "Guinea Pigs."

Apropos of the above I clip the following advertisement from an English paper of recent date:—

DIRECTORS WANTED—OF GOOD SOCIAL STANDING—for a new Company now in course of formation; qualification will be found for selected applicants and remuneration will be on a liberal scale.

To this 141 replies are stated to have been received :—One earl, 1 viscount, 4 barons, 7 baronets, 1 knight, 13 honourables, 6 members of Parliament, 4 generals, 1 admiral, 9 colonels, 4 majors, 14 army captains, 3 minor naval officers, 73 without rank or title. There were some very amusing letters accompanying the applications. The earl said :—"I need not point out that should you entertain my proposal an important leverage in procuring a good subscription of public capital will be gained by my title, which is an old one, and likely to prove an attraction to investors. I may also state that if appointed I should always make it a point of driving to the general meetings in my brougham and pair, with servants in full livery. This, I have been told by friends sitting on Company Boards, is a great factor in inspiring shareholders with confidence." One of the barons wanted to know : "If the fees were paid in advance, irrespective of any profits made by the Company." One of the members of Parliament wrote that he had no doubt that if he were appointed it would result in heavy purchases of shares in his constituency, where he was very popular. "And," he added, "it would be well if the bona fides of your scheme were assured, at any rate on the surface." The last part of the sentence would seem to rather give the virtuous legislator away, as he evidently did not care whether the scheme was good or not.

SEATS ON THE STOCK EXCHANGES.

Seats on the New York Stock Exchange are worth about \$50,000; Montreal, \$12,000; and Toronto, \$4,000. No one, of course, is permitted to do business on any of the Stock Exchanges who is not a member, or the representative of a member.

STOCK EXCHANGE REPORTS.

The report on page 189 gives valuable information to investors regarding the capital of the Companies named; the rest accumulated; the dividends paid; and the value of the stock as indicated by the most recent sales on the Halifax, Montreal and Toronto Stock Exchanges. In the commercial columns of all large city daily papers similar reports are given.

STOCK AND BOND REPORT.

From *The Monetary Times*.

January 18, 1901.

BANKS.	Share.	Capital Subscribed.	Capital Paid-up.	Rest.	Dividend last 6 Months	CLOSING PRICES.	
						HALIFAX. Jan. 14, 1901.	Cash value per share.
British North America	\$243	\$4,866,666	\$4,866,666	2,581,000	3%	138 1/2	132 1/2
Commercial Bank, Windsor, N.S.	40	800,000	350,000	90,000	3	105	312 1/2
Halifax Banking Co.	80	586,000	381,760	440,901	3 1/2	137 1/2	160
Royal Bank of Canada	100	2,000,000	2,000,000	1,700,000	3 1/2	178	185
New Brunswick	100	1,000,000	500,000	700,000	6	100	301 1/2
Nova Scotia	100	1,800,000	1,800,000	2,281,942	4 1/2	128 1/2	133
People's Bank of Halifax	80	700,000	700,000	240,000	3	117	122
People's Bank of N. B.	150	180,000	180,000	150,000	4		
St. Stephen's	100	200,000	200,000	45,000	2 1/2		
Union Bank, Halifax	50	783,400	713,250	391,630	3 1/2	155 1/2	160
Yarmouth	75	300,000	300,000	30,000	2 1/2	92	95
						MONTRÉAL, Jan. 16.	
Eastern Townships	50	1,500,000	1,500,000	900,000	3 1/2	150	
Hochelaga	100	1,500,000	1,500,000	680,000	3 1/2		
Provincial Bank of Canada	25	824,787	647,687		3	95	110
La Banque Nationale	30	1,800,000	1,800,000	800,000	3		
Merchants Bank of Canada	100	6,000,000	6,000,000	2,600,000	3 1/2	150	159
Montreal	200	12,000,000	12,000,000	7,000,000	5	257 1/2	150 00
Molson's	50	2,500,000	2,456,040	50,000	4 1/2	190	191 1/2
Quebec	100	2,500,000	2,500,000	700,000	3	123	123 00
Union Bank of Canada	100	9,000,000	9,000,000	500,000	3	105 1/2	108
						TORONTO, Jan. 16.	
British Columbia	100	2,919,996	2,919,996	486,600	3 1/2	147 1/2	147 1/2
Canadian Bank of Commerce	50	8,000,000	8,000,000	2,000,000	3 1/2	239 1/2	239 1/2
Dominion	50	2,068,400	1,936,243	1,900,000	6	117	119
Hamilton	100	1,738,000	1,721,000	1,234,000	4	76	77 1/2
Imperial	100	2,500,000	2,458,603	1,700,000	4 1/2	113	113
Ontario	100	1,143,300	1,121,930	800,000	2 1/2	172	172
Ottawa	100	1,666,800	1,732,000	1,492,000	4 1/2	110	110
Standard	50	1,000,000	1,000,000	700,000	4	111 1/2	111 1/2
Toronto	100	2,000,000	2,000,000	1,900,000	5	120	120
Traders	100	1,000,000	1,000,000	150,000	3	109 1/2	112
Western	100	500,000	400,000	125,000	3 1/2		
						*quarterly And 1% bonus	
LOAN COMPANIES.							
SPECIAL ACT DOM. AND ONT.							
Canada Permanent and Western Canada Mortgage Corporation	10	6,000,000	6,000,000	1,500,000	1	108	10 20
UNDER BUILDING SOCIETIES ACT, 1859.							
Agricultural Savings and Loan Co.	50	630,200	630,200	180,000	3	117	119
Toronto Mortgage Co.	50	1,120,860	725,000	250,000	2 1/2	76	77 1/2
Canadian Savings and Loan Co.	50	750,000	750,000	217,500	3	113	113
Dominion Savings and Investment Society	50	1,000,000	914,700	200,000	2		
Huron and Erie Loan and Savings Co.	50	3,000,000	1,400,300	230,000	4 1/2	172	172
Hamilton Provident and Loan Society	100	100,000	1,100,000	300,000	3	110	110
Landed Banking and Loan Co.	100	700,000	700,000	170,000	3	110	110
London Loan Co. of Canada	50	670,700	670,700	85,500	3	111 1/2	111 1/2
Ontario Loan and Debiture Co., London	50	1,200,000	1,200,000	515,000	3	120	120
Ontario Loan and Savings Co., Oshawa	50	300,000	300,000	75,000	3		
People's Loan and Deposit Co.	50	600,000	600,000	40,000	3	115	115
UNDER PRIVATE ACTS.							
Brit. Can. L. & Inv. Co., Ltd. (Dom. Par.)	100	2,000,000	398,481	120,000		81	90
Central Canada Loan and Savings Co.	100	2,500,000	1,250,000	385,000	1 1/2	134	134
London & Can. L. & Inv. Co., Ltd., do	50	5,000,000	700,000	210,000	3	60	60
Man. & Northwest Loan Co. (Dom. Par.)	100	1,500,000	375,000	51,000		40	40
"THE COMPANIES' ACT," 1877-1880.							
Imperial Loan and Investment Co. Ltd.	100	839,850	730,813	177,000	2 1/2	61	61
Can. Landed and National Inv't Co., Ltd.	100	2,000,000	1,004,000	350,000	3	76	80
Real Estate Loan Co.	40	578,840	373,720	50,000	2	67	67
ONT. JT. STK. LETT. PAT. ACT, 1874.							
British Mortgage Loan Co.	100	450,000	321,037	120,000	3		
Ontario Industrial Loan and Inv. Co.	100	373,000	271,993				
Toronto Savings and Loan Co.	100	1,000,000	600,000	180,000	3	1.9	128 00

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